THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **SRE Group Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF CONVERTIBLE NOTE BY THE CONTROLLING SHAREHOLDER AND APPLICATION FOR WHITEWASH WAIVER

FINANCIAL ADVISER

KBC

KBC Bank N.V. Hong Kong Branch

INDEPENDENT FINANCIAL ADVISER TO THE SUBSCRIPTION IBC, THE WHITEWASH IBC AND THE INDEPENDENT SHAREHOLDERS

OSK Capital Hong Kong Limited

A letter from the Board is set out on pages 6 to 25 of this circular, a letter from the Subscription IBC containing its recommendation on the Convertible Note Subscription is set out on page 26 of this circular and a letter from the Whitewash IBC containing its recommendation on the Convertible Note Subscription and the Whitewash Waiver is set out on page 27 of this circular. A letter from the Independent Financial Adviser containing its advice to the Subscription IBC, the Whitewash IBC and the Independent Shareholders in respect of the Convertible Note Subscription and the Whitewash Waiver is set out on pages 28 to 52 of this circular.

A notice of the SGM to be convened and held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 June 2011 at 3:00 p.m., is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or at any adjournment thereof) should you so desire.

* *For identification purpose only*

26 May 2011

CONTENTS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement dated 6 May 2011 issued by the Company in connection with the Convertible Note Subscription and the Whitewash Waiver
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"CNTD"	China New Town Development Company Limited, an approximately 61.46% owned subsidiary of the Company whose shares are listed on the main board of the Stock Exchange
"CNTD Group"	CNTD and its subsidiaries
"Company"	SRE Group Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange
"Completion Date"	the date when completion of the Convertible Note Subscription Agreement shall take place, being the 90th calendar day after all the Conditions have been fulfilled, or such other date as may be agreed in writing between the Company and the Subscriber
"Conditions"	the conditions precedent to Completion, as more particularly set out under the paragraph headed "Conditions of the Convertible Note Subscription" in the Letter from the Board of this circular
"connected person"	has the meaning ascribed to it under the Listing Rules
"Convertible Note"	the HK$550 million 2% convertible note due 2016 convertible into Shares to be issued by the Company
"Convertible Note Subscription"	the subscription of the Convertible Note by the Subscriber pursuant to the Convertible Note Subscription Agreement
"Convertible Note Subscription Agreement"	the conditional subscription agreement dated 6 May 2011 between the Subscriber and the Company relating to the Convertible Note Subscription

"Conversion Price"	initially HK$1.00 per Conversion Share (subject to adjustment)
"Conversion Share(s)"	new Share(s) to be allotted and issued to the Noteholder upon exercise of the conversion rights attached to the Convertible Note
"Director(s)"	the director(s) of the Company
"DTZ Debenham Tie Leung"	DTZ Debenham Tie Leung Limited, the independent valuer appointed by the Company for the valuation of the property interest of the CNTD Group
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong from time to time and any delegate of such Executive Director
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Financial Adviser" or "OSK Capital"	OSK Capital Hong Kong Limited, a corporation licensed under the Securities and Futures Ordinance to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Subscription IBC, the Whitewash IBC and Independent Shareholders regarding the Convertible Note Subscription and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than the Subscriber and persons acting in concert with it and any other Shareholders who are involved in, or interested in the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver
"Jones Lang LaSalle Sallmanns"	Jones Lang LaSalle Sallmanns Limited, the independent valuer appointed by the Company for the valuation of the property interest of the Group other than the CNTD Group
"Last Trading Day"	5 May 2011, being the last trading day of the Shares on the Stock Exchange prior to the date of the Announcement

"Latest Practicable Date"	23 May 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Lent Shares"	150 million Shares lent by the Subscriber pursuant to two stock borrow agreements both dated 29 June 2009, of which 75 million Shares were lent to Credit Suisse Securities (Europe) Limited and 75 million Shares were lent to Deutsche Bank AG (acting through its London branch)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Locked-up Conversion Shares"	the Conversion Shares which are allotted and issued to the Subscriber during the 24-month period from the date of issue of the Convertible Note
"Long Stop Date"	29 July 2011 or such later date as may be agreed in writing between the Company and the Subscriber
"Noteholder"	holder of the Convertible Note from time to time
"Outstanding Convertible Bonds"	the RMB denominated 6% convertible bonds in the principal amount of RMB446,900,000 maturing on 23 July 2014 issued by the Company on 24 July 2009, details of which were disclosed in the Company's announcement dated 29 June 2009
"PRC"	People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Scrip Dividend Scheme"	the proposed payment of a final dividend in respect of the year ended 31 December 2010 to the Shareholders by way of a scrip dividend with cash alternative as announced by the Company on 25 March 2011, which is subject to the approval by the Shareholders at the annual general meeting of the Company to be held on 31 May 2011
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

"SGM"	the special general meeting of the Company to be convened and held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 June 2011 at 3:00 p.m. for the purpose of considering, and if thought fit, approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	holder(s) of Share(s)
"Stock Borrowers"	Credit Suisse Securities (Europe) Limited and Deutsche Bank AG (acting through its London Branch), being borrowers of the Lent Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	SRE Investment Holding Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company
"Subscription IBC"	the independent board committee comprising all the independent non-executive Directors, namely Mr. E. Hock Yap, Mr. Jiang Xie Fu and Mr. Zhuo Fumin, which has been established by the Company to advise the Independent Shareholders on the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder
"Takeovers Code"	The Code on Takeovers and Mergers
"Whitewash IBC"	the independent board committee comprising one non-executive Director, namely Mr. Jin Bing Rong, and all the independent non-executive Directors, namely Mr. E. Hock Yap, Mr. Jiang Xie Fu and Mr. Zhuo Fumin, which has been established by the Company to advise the Independent Shareholders on the terms of the Whitewash Waiver

"Whitewash Waiver"	the waiver under Note 1 on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber and persons acting in concert with it to make a general offer to the shareholders of the Company for all issued shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company not already owned or agreed to be acquired by the Subscriber and persons acting in concert with it as a result of the allotment and issue of the Conversion Shares to the Subscriber upon exercise of the conversion rights attached to the Convertible Note causing the lowest collective holding by the Subscriber and persons acting in concert with it of voting rights in the Company in any 12-month period being increased by more than 2%
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar(s), the lawful currency of the United States of America
"%"	per cent.

English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

Executive Directors:
Mr. Shi Jian *(Chairman)*
Mr. Yu Hai Sheng *(Co-Chairman & Chief Executive Officer)*
Mr. Li Yao Min *(Vice-Chairman)*
Mr. Jiang Xu Dong *(Chief Operation Officer)*
Mr. Shi Pin Ren
Mr. Yue Wai Leung Stan *(Co-Chief Executive Officer)*

Non-executive Directors:
Mr. Cheung Wing Yui
Mr. Jin Bing Rong

Independent non-executive Directors:
Mr. Jiang Xie Fu
Mr. E. Hock Yap
Mr. Zhuo Fumin

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Room 2501, 25th Floor,
Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

26 May 2011

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF CONVERTIBLE NOTE BY THE CONTROLLING SHAREHOLDER AND APPLICATION FOR WHITEWASH WAIVER

1. INTRODUCTION

The Company announced on 6 May 2011 that the Subscriber entered into the Convertible Note Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Note in the principal amount of HK$550 million at the initial Conversion Price of HK$1.00 per Conversion Share subject to the terms and

* *For identification purpose only*

conditions of the Convertible Note Subscription Agreement. The Convertible Note shall bear an interest rate of 2% per annum and mature on the date falling on the fifth anniversary of the date of issue of the Convertible Note. Assuming full conversion of the Convertible Note at the initial Conversion Price, the Convertible Note will be convertible into 550,000,000 Conversion Shares, representing approximately (i) 12.78% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 11.33% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note (without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note).

Since the Subscriber is a controlling Shareholder, the Subscriber is a connected person of the Company and, accordingly, the Convertible Note Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Convertible Note Subscription exceed 5%, the Convertible Note Subscription is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules.

As at the Latest Practicable Date, the Subscriber and persons acting in concert with it are interested in a total of 1,969,460,472 Shares (or 1,819,460,472 Shares if excluding the Lent Shares), representing approximately 45.76% (or 42.27% if excluding the Lent Shares) of the issued share capital of the Company as at the Latest Practicable Date. Upon full conversion of the Convertible Note, without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note, the Subscriber and persons acting in concert with it will be interested in 2,519,460,472 Shares (or 2,369,460,472 Shares if excluding the Lent Shares), representing approximately 51.91% (or approximately 48.82% if excluding the Lent Shares) of the issued share capital of Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note. Under Rule 26 of the Takeovers Code, the acquisition of voting rights by more than 2% from the lowest collective holding of voting rights in the Company in any 12-month period by the Subscriber will trigger an obligation on the Subscriber and persons acting in concert with it to make a general offer for all the shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company other than those already owned or agreed to be acquired by them, unless a whitewash waiver is granted by the Executive and approved by the independent shareholders of the Company. Accordingly, if the Subscriber acquires Conversion Shares such that the interests of the Subscriber and persons acting in concert with it in the voting rights in the Company is increased by more than 2% from their lowest collective holding of voting rights in the Company in any 12-month period, the Subscriber and persons acting in concert with it have the obligation to make such general offer unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders by way of a poll.

The Subscriber has made an application to the Executive for the Whitewash Waiver and the Executive has indicated that it will grant the Whitewash Waiver, subject to, among others, the approval of the Independent Shareholders by way of poll at the SGM. **Assuming full conversion of the Convertible Note, without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note, the aggregate shareholding of the Subscriber and persons acting in concert with it in the Company will exceed 50%, and if the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the SGM, the Subscriber and persons acting in concert with it may further increase their shareholdings in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.**

The purpose of this circular is (a) to provide you with further information on, inter alia, the details of the Convertible Note Subscription and the Convertible Note Subscription Agreement; (b) details of the Whitewash Waiver; (c) to set out the letter of recommendation from the Subscription IBC to the Independent Shareholders in respect of the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder; (d) to set out the letter of recommendation from the Whitewash IBC to the Independent Shareholders in respect of the fairness and reasonableness of the Convertible Note Subscription and the Whitewash Waiver; (e) to set out the letter of advice from the Independent Financial Adviser to the Subscription IBC, the Whitewash IBC and the Independent Shareholders in relation to the Convertible Note Subscription, the Convertible Note Subscription Agreement and the Whitewash Waiver; (f) to give you notice of the SGM; and (g) to provide other information as required under the Listing Rules and the Takeovers Code.

2. THE CONVERTIBLE NOTE SUBSCRIPTION AGREEMENT

Date

6 May 2011

Parties

(a) the Subscriber, a company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Subscriber holds 1,798,400,938 Shares, and together with the Lent Shares, is interested in 1,948,400,938 Shares, representing approximately 41.79% and 45.27% respectively of the issued share capital of the Company, respectively; and

(b) the Company.

Conditions of the Convertible Note Subscription

Completion of the Convertible Note Subscription is conditional upon:

(a) the Listing Committee of the Stock Exchange having granted or having agreed to grant (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and permission to deal in, the Conversion Shares;

(b) the Executive having granted the Whitewash Waiver;

(c) the passing of a resolution by the Independent Shareholders at the SGM approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Note; and

(d) the passing of a resolution by the Independent Shareholders at the SGM approving the Whitewash Waiver.

In the event that not all the Conditions have been fulfilled by 4:00 p.m. on the Long Stop Date, the Convertible Note Subscription Agreement shall terminate, lapse and be of no further effect, and the Company and the Subscriber shall be released from all obligations thereunder and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Convertible Note Subscription Agreement. None of the conditions to the Convertible Note Subscription mentioned above can be waived by either party to the Convertible Note Subscription Agreement. If the Whitewash Waiver has not been granted or the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver have not been passed by the Independent Shareholders at the SGM, the Convertible Note Subscription Agreement will terminate, lapse and be of no further effect, and the parties shall be released from all obligations under the Convertible Note Subscription Agreement and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Convertible Note Subscription Agreement.

Completion of the Convertible Note Subscription

Subject to fulfilment of all the Conditions, completion of the Convertible Note Subscription Agreement shall take place on the Completion Date.

Principal terms of the Convertible Note

Issuer	:	The Company
Subscriber	:	SRE Investment Holding Limited
Principal amount	:	HK$550 million
Issue price	:	HK$550 million
Maturity date	:	The date falling on the fifth anniversary of the date of issue of the Convertible Note (the "Maturity Date")
Interest rate	:	2% per annum, payable semi-annually in arrears
Conversion rights	:	The Noteholder will have the right to convert the whole or part of the principal amount of the Convertible Note into Conversion Shares in amounts of not less than HK$1,000,000 on each conversion at any time and from time to time from the date of the issue of the Convertible Note up to the close of business on the date falling 30 business days prior to the Maturity Date.

Conversion Price	:	The initial Conversion Price is HK$1.00 per Conversion Share and represents: (i) a premium of approximately 47.1% over the closing price of HK$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (ii) a premium of approximately 44.9% over the closing price of HK$0.690 per Share as quoted on the Stock Exchange on the Last Trading Day; (iii) a premium of approximately 44.1% over the average closing price of HK$0.694 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day; (iv) a premium of approximately 42.5% over the average closing price of HK$0.702 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; (v) a premium of approximately 41.4% over the average closing price of HK$0.707 per Share as quoted on the Stock Exchange for the last 50 trading days up to and including the Last Trading Day; and (vi) a discount of approximately 49.6% to the Group's audited consolidated net asset value per Share as at 31 December 2010 of approximately HK$1.985 (based on a total of 4,303,881,194 Shares as at the date of the Convertible Note Subscription Agreement and the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$8,544,783,000 as at 31 December 2010). The Conversion Price was determined after arm's length negotiation between the Company and the Subscriber with reference to the recent trading prices of the Shares on the Stock Exchange.
Adjustments to Conversion Price	:	The Conversion Price will be subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, dividend or distribution, rights issue of Shares or options over Shares, issues at less than current market price and other events which may have a diluting effect on the Noteholder.

Redemption of the Convertible Note by the Company	:	The Company may redeem the Convertible Note at the redemption amount which is equal to 100% of the then outstanding principal amount of the Convertible Note, together with all interest accrued thereon and remaining outstanding (if any), at any time on or after the first anniversary of its issuance. Unless previously redeemed, converted or purchased and cancelled, the Convertible Note will be redeemed at 100% of their principal amount on the Maturity Date.
Transferability	:	Subject to all applicable laws and regulations and prior notification to the Company, the Convertible Note may only be assigned or transferred in whole or in part of its principal amount outstanding to any subsidiary or holding company of the Subscriber or any subsidiary of any holding company of the Subscriber or, if required by the Stock Exchange, with the prior approval of the Stock Exchange and the Company, to any other party.
Voting rights	:	A Noteholder will not be entitled to receive notice of, attend or vote at any general meetings of the Company by reason only of it being a Noteholder.
Listing	:	The Company has made an application to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Note. No application will be made by the Company for the listing of the Convertible Note.
Ranking of the Conversion Shares	:	The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all other existing Shares outstanding at the date of such allotment and issue and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of such allotment and issue.
Ranking of the Convertible Note	:	The obligations of the Company arising under the Convertible Note constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and rank and shall at all times rank *pari passu* in all respects among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

Events of default	:	After the occurrence of an event of default as specified in the terms and conditions of the Convertible Note (including but not limited to failure by the Company to pay the principal or interest on the Convertible Note when due, default in the performance, observance or compliance by the Company with any of its obligations under the Convertible Note Subscription Agreement, the Company becoming insolvent or being wound-up, or the Shares ceasing to be listed on the Stock Exchange or are suspended from trading on the Stock Exchange for a continuous period of 14 trading days due to the default of the Company), a Noteholder may give notice to the Company that the Convertible Note is immediately due and payable.

Lock-up undertaking

The Subscriber has irrevocably undertaken to the Company that during the 24-month period commencing from the Completion Date, the Subscriber shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Company:

(i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Locked-up Conversion Shares;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Locked-up Conversion Shares, whether any of the foregoing transactions is to be settled by delivery of the Locked-up Conversion Shares or such other securities, in cash or otherwise;

(iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or

(iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Force majeure

If and to the extent that either the Company or the Subscriber is prevented or delayed from performing any of its obligations under the Convertible Note Subscription Agreement by any event or circumstances not foreseeable at the date of the Convertible Note Subscription Agreement and beyond the reasonable control of the party in question, including (without prejudice to the generality of the foregoing) serious market downturn, material adverse change in the financial or market conditions of Hong Kong or the PRC, or the occurrence of any event having a material adverse effect on the financial position, assets, business operations or prospects of the relevant party (the "Force Majeure Event"), the party affected by Force Majeure Event shall promptly notify the other party and provide details of the Force Majeure Event, then the party so affected shall be relieved of its liability to the other party for the failure to perform or the delay in performing such obligations (as the case may be), but shall nevertheless use its best endeavours to resume full performance thereof as soon as practicable.

If the Force Majeure Event continues or is likely to continue for a period of 3 months or more following notification, either party may terminate the Convertible Note Subscription Agreement forthwith by giving written notice to the other party and Convertible Note Subscription Agreement shall terminate, lapse and be of no further effect, and the parties shall be released from all obligations under the Convertible Note Subscription Agreement and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Convertible Note Subscription Agreement.

The Conversion Shares

Based on the initial Conversion Price of HK$1.00 per Conversion Share and assuming full conversion of the Convertible Note, the Convertible Note will be convertible into 550,000,000 Conversion Shares, representing:

(i) approximately 12.78% of the issued share capital of the Company as at the date of the Convertible Note Subscription Agreement and as at the Latest Practicable Date; and

(ii) approximately 11.33% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note (without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note).

An ordinary resolution will be proposed at the SGM to seek, among other things, a specific mandate for the allotment and issue of the Conversion Shares.

3. EFFECT OF THE CONVERTIBLE NOTE SUBSCRIPTION

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after full conversion of the Convertible Note (without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the Latest Practicable Date up to the date of full conversion of the Convertible Note); and (iii) immediately after full conversion of the

Convertible Note and the Outstanding Convertible Bonds (without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares and the issue of new Shares upon the exercise of conversion rights attached to the Outstanding Convertible Bonds since the Latest Practicable Date up to the date of full conversion of the Convertible Note):

	As at the Latest Practicable Date		**Immediately after full conversion of the Convertible Note** *(Note 7)*		**Immediately after full conversion of the Convertible Note and the Outstanding Convertible Bonds** *(Note 8)*	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
The Subscriber *(Note 1)*	1,948,400,938 *(Note 2)*	45.27	2,498,400,938 *(Note 3)*	51.47	2,498,400,938 *(Note 3)*	46.57
The Directors:						
– Mr. Shi Jian *(Note 4)*	7,246,887	0.17	7,246,887	0.15	7,246,887	0.14
– Mr. Li Yao Min *(Note 4)*	5,172,220	0.12	5,172,220	0.11	5,172,220	0.10
– Mr. Yu Hai Sheng *(Note 4)*	6,235,987	0.14	6,235,987	0.13	6,235,987	0.12
Md. Si Xiao Dong *(Note 4)*	2,220	0.00005	2,220	0.00005	2,220	0.00004
Mr. Shi Jian Dong *(Note 4)*	2,402,220	0.06	2,402,220	0.05	2,402,220	0.04
Sub-total of the Subscriber and persons acting in concert with it *(Note 5)*	1,969,460,472	45.76	2,519,460,472	51.91	2,519,460,472	46.96
Md. He Pei Pei *(Note 10)*	140,000	0.003	140,000	0.003	140,000	0.003
Public shareholders	2,334,280,722 *(Note 6)*	54.24	2,334,280,722 *(Note 6)*	48.09	2,845,354,790 *(Note 9)*	53.04
Total	4,303,881,194	100.00	4,853,881,194	100.00	5,364,955,262	100.00

Notes:

1. The shareholders of the Subscriber consist of Mr. Shi Jian (holding 33% interest), Md. Si Xiao Dong (the spouse of Mr. Shi Jian, holding 30% interest), Mr. Li Yao Min (holding 5% interest), Mr. Yu Hai Sheng (holding 5% interest), Mr. Shi Jian Dong (holding 5% interest), Mr. Jiang Xu Dong (holding 2% interest), Mr. Shi Pin Ren (holding 1% interest), Mr. Yue Wai Leung Stan (holding 2% interest), Ms. Gu Biya (holding 1% interest), Ms. Song Yiqing (holding 1% interest), Mr. Mao Yiping (holding 1% interest), Mr. Yang Yonggang (holding 1% interest), and other relatives of Mr. Shi Jian and/or Md. Si Xiao Dong (holding in aggregate 8% interest), and unrelated parties comprising 4 long term employees of the Group, namely Mr. Wang Zi Xiong (holding 2% interest), Mr. Huang Wei Lun (holding 1% interest), Ms. Li Hua (holding 1% interest) and Mr. Xue Jian Ming (holding 1% interest). Each of Mr. Shi Jian, Mr. Li Yao Min and Mr. Yue Wai Leung Stan is both a Director and a director of CNTD, a 61.46%-owned subsidiary of the Company whose shares are listed on the Stock Exchange. Each of Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Shi Pin Ren is a Director. Each of Ms. Gu Biya, Ms. Song Yiqing, Mr. Mao Yiping and Mr. Yang Yonggang is a director of CNTD. Save as set out in the table above, no other shareholder of the Subscriber held any Shares as at the Latest Practicable Date.

2. These Shares comprise 1,798,400,938 Shares held by the Subscriber and the Lent Shares (being 150,000,000 Shares, representing approximately 3.49% of the issued share capital of the Company as at the Latest Practicable Date). The Lent Shares are being included only for the purposes of illustrating the maximum number of Shares held by the Subscriber before the Convertible Note Subscription. For the reasons set out in the section headed "Information Required under the

Takeovers Code" of this circular, the Stock Borrowers are not considered persons acting in concert with the Subscriber for the purposes of the Convertible Note Subscription and the Whitewash Waiver and the Lent Shares can be voted by the holders thereof at the SGM. The Subscriber has no control over the voting rights of the Lent Shares and has no means of ascertaining whether and how these Lent Shares will be voted at the SGM.

3. These Shares include the Lent Shares (being 150,000,000 Shares, representing approximately 3.1% of the issued share capital of the Company immediately after full conversion of the Convertible Note and approximately 2.8% of the issued share capital of the Company immediately after full conversion of the Convertible Note and the Outstanding Convertible Bonds).

4. Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min and Mr. Shi Jian Dong are both shareholders and directors of the Subscriber and Mr. Yu Hai Sheng is a shareholder of the Subscriber.

5. Persons acting in concert with the Subscriber who are Shareholders comprise Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong.

6. These 2,334,420,722 Shares have not taken into account of the 150,000,000 Lent Shares, the voting rights of which rest with the holders thereof and may be voted by such holders at the SGM. Pursuant to the stock borrow agreements in relation to the Lent Shares, the Subscriber is entitled, following any conversion of the Outstanding Convertible Bonds, to call for the redelivery by the Stock Borrowers of such number of Lent Shares as is derived by multiplying the number of Shares resulting from such conversion by a certain percentage. In addition, the Subscriber is entitled to call for the redelivery by the Stock Borrowers of the Lent Shares at any time after the earlier of (i) the third anniversary of the issue date of the Outstanding Convertible Bonds and (ii) the date on which the Outstanding Convertible Bonds have been redeemed in full. Since none of the events referred to above has occurred yet, the Subscriber has no right to call for the redelivery of any of the Lent Shares from the Stock Borrowers as at the Latest Practicable Date. Taking into account the Lent Shares but without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company since the Latest Practicable Date up to the date of the SGM, the total number of Shares which may be voted at the SGM is 2,484,420,722 Shares, representing approximately 57.7% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 51.2% of the issued share capital of the Company immediately after full conversion of the Convertible Note.

7. This shareholding structure of the Company is set out on the assumption that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note.

8. This shareholding structure of the Company is set out on the assumption that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares and the issue of Shares upon the exercise of the conversion rights attached to the Outstanding Convertible Bonds since the date of the Convertible Note Subscription Agreement up to the date of full conversion of both the Convertible Note and the Outstanding Convertible Bonds. As at the Latest Practicable Date, there were Outstanding Convertible Bonds in the aggregate principal amount of RMB446.9 million which were convertible into 511,074,068 Shares based on the current conversion price of HK$0.992 per Share.

9. These 2,845,354,790 Shares include the 511,074,068 Shares which may be issued upon full conversion of the Outstanding Convertible Note at the current conversion price of HK$0.992 per Share but does not include the 150,000,000 Lent Shares, the voting rights of which rest with the holders thereof and may be voted by such holders at the SGM.

10. Md. He Pei Pei is the spouse of Mr. Zhuo Fumin, an independent non-executive Director.

Under the accounting policies of the Group, only the revaluation difference in respect of hotel properties and investment properties will be taken up in the Group's consolidated statement of financial position, and no revaluation is required in respect of other property interests. Accordingly, the Company is of the view that it may not be appropriate to quantify the revaluation surplus of all the Group's property interests and reflect such revaluation surplus on a pro forma basis for the purpose of the Circular and of analysing the terms of the Convertible Note.

4. REASONS FOR THE CONVERTIBLE NOTE SUBSCRIPTION AND USE OF PROCEEDS

The Group is an integrated property developer in the PRC and is principally engaged in the development and sale of residential and commercial properties in Shanghai, Shenyang (Liaoning Province), Haikou (Hainan Province), Wuxi (Jiangsu Province), Jiaxing (Zhejiang Province) and Chengdu (Sichuan Province), with a focus on middle to high-end residential properties. In addition, the Group is also engaged in the planning, management and operations of new towns in the PRC.

The Group's property and new town development projects, which generally require the incurrence of substantial capital outlay (such as construction cost) at their initial development stage, are normally developed over certain number of years and are primarily financed by bank borrowings and cash received from the presale/sale of properties and land development projects. The management of the Group from time to time monitors its liquidity position such that the Group's working capital available matches with the progress of its various property development projects. As described in the Company's annual report for the year ended 31 December 2010 (the "2010 Annual Report"), safeguarding the Group's ability to continue as a going concern and maintaining healthy capital ratios in order to support its business and maximise the Shareholders' value are the primary objectives of the Group's capital management policy.

As stated in the 2010 Annual Report, the Group recorded a substantial increase of approximately 60% in the carrying amount of its interest-bearing bank and other borrowings to approximately HK$12.0 billion as at 31 December 2010 resulting in substantial increases in (i) the Group's gearing ratio by approximately 14% to 40% as at 31 December 2010 from 2009; and (ii) the Group's interest expenses (before capitalisation of interest) by approximately 40% to HK$706.8 million for the year ended 31 December 2010 from 2009. Such increase in the carrying amount of interest-bearing bank and other borrowings was mainly due to the increase in onshore construction loan used to finance the development of the Group's projects. In addition, the Outstanding Convertible Bonds, which will mature in July 2014 and bears a fixed interest rate of 6% per annum, contain an early redemption provision that the holders of the Outstanding Convertible Bonds have the right to require the Company to redeem all or some only of its/his/her Outstanding Convertible Bonds at a redemption price based on the aggregate outstanding principal amount of the Outstanding Convertible Bonds plus the relevant accrued and unpaid interest in July 2012. It is expected that the amount payable by the Company in the event the Outstanding Convertible Bonds are redeemed in full in July 2012 would be the US$ equivalent of RMB460.307 million (comprising RMB446.9 million principal amount of the Outstanding Convertible Bonds and RMB13.407 million accrued and unpaid interest). Given that the cash and bank balances of the Group amounted to only approximately HK$5.4 billion while capital commitment and commitments in respect of land or property development for sale amounted to approximately

HK$15.8 billion as at 31 December 2010, the potential early redemption of the Outstanding Convertible Bonds by the holders may have negative impact on the Group's cash operating cycle.

With a view to enhancing the liquidity position of the Group and reducing the Group's overall interest expenses, the management of the Company intends to apply the net proceeds from the Convertible Note Subscription (which are estimated to be approximately HK$546 million) to refinance part of the Group's existing interest-bearing debts (which generally bear higher interest rates than the Convertible Note does) and, in particular, to meet the possible capital requirement resulted from the early redemption of the Outstanding Convertible Bonds.

According to the report issued by Moody's Investors Service in April 2011 (the "Moody's Report"), the outlook for the PRC's property sector has been downgraded from stable to negative as a result of the tightening regulatory measures, rising interest rates, reduced bank lending, significant refinancing needs and increasing supply in the PRC. The Moody's Report also indicated that the Group, which has high debt leverage and substantial land and development expenditures, is relatively vulnerable to a downturn in the PRC's property market in terms of liquidity position. The Group has considered a number of refinancing alternatives such as bank loans or debts to strengthen the liquidity position of the Group, but these alternatives would be more costly and would cast high uncertainty to the financial performance for the Group under an interest rate hiking cycle when compared with the lower fixed interest rate of the Convertible Note.

Having considered the above, together with the facts that (i) the Conversion Price is at a substantial premium to the recent closing price of the Shares; and (ii) the lower interest rate of the Convertible Note than the Group's long-term bank and other borrowings (which bears an weighted average effective rates in the range of 2.76% to 11.56%), the Directors consider that the Convertible Note Subscription is fair and reasonable and on normal commercial terms and the entering into of the Convertible Note Subscription Agreement is in the interests of the Group and the Shareholders as a whole.

5. LISTING RULES IMPLICATIONS

Since the Subscriber is a controlling Shareholder, it is a connected person of the Company and, accordingly, the Convertible Note Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Convertible Note Subscription exceed 5%, the Convertible Note Subscription is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules. As at the Latest Practicable Date, Mr. Shi Jian and Mr. Li Yao Min are shareholders and directors of the Subscriber and the Company, Mr. Yu Hai Sheng is a shareholder of the Subscriber, Mr. Shi Jian Dong is a shareholder and director of the Subscriber, and Md. Si Xiao Dong is the spouse of Mr. Shi Jian and both a shareholder and director of the Subscriber. Accordingly, the Subscriber, Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong and their respective associates (in aggregate holding 1,969,460,472 Shares) will abstain from voting at the SGM in respect of the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder. The Directors have confirmed that so far as they are aware, save for the above, no other Shareholder is interested in the Convertible Note Subscription.

Mr. Shi Jian, Mr. Li Yao Min and Mr. Yu Hai Sheng, being materially interested in the Convertible Note Subscription and the Whitewash Waiver, had abstained from voting in the meeting of the Board on the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

6. TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, the Subscriber holds 1,798,400,938 Shares, and together with the Lent Shares, the Subscriber is interested in a total of 1,948,400,938 Shares, representing approximately 45.27% of the issued share capital of the Company. Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong, being persons acting in concert with the Subscriber, holds 7,246,887 Shares, 2,220 Shares, 5,172,220 Shares, 6,235,987 Shares and 2,402,220 Shares respectively, representing approximately 0.17%, 0.00005%, 0.12%, 0.14% and 0.06% of the issued share capital of the Company respectively as at the Latest Practicable Date. Therefore, the Subscriber and persons acting in concert with it are interested in a total of 1,969,460,472 Shares (or 1,819,460,472 Shares if excluding the Lent Shares), representing approximately 45.76% (or approximately 42.27% if excluding the Lent Shares) of the issued share capital of the Company as at the Latest Practicable Date.

Upon full conversion of the Convertible Note, without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares from the Latest Practicable Date up to the date of full conversion of the Convertible Note, the Subscriber and persons acting in concert with it will be interested in 2,519,460,472 Shares (or 2,369,460,472 Shares if excluding the Lent Shares), representing approximately 51.91% (or approximately 48.82% if excluding the Lent Shares) of the issued share capital of Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note. Under Rule 26 of the Takeovers Code, the acquisition of voting rights by more than 2% from the lowest collective holding of voting rights in the Company in any 12-month period by the Subscriber will trigger an obligation on the Subscriber and persons acting in concert with it to make a general offer for all the issued shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company other than those already owned or agreed to be acquired by them, unless a whitewash waiver is granted by the Executive and approved by the independent shareholders of the Company. Accordingly, if the Subscriber acquires Conversion Shares such that the interests of the Subscriber and persons acting in concert with it in the voting rights in the Company is increased by more than 2% from their lowest collective holding of voting rights in the Company in any 12-month period, the Subscriber and persons acting in concert with it have the obligation to make such general offer unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders by way of a poll.

The Subscriber has made an application to the Executive for the Whitewash Waiver and the Executive has agreed to grant the Whitewash Waiver, subject to, among others, the approval of the Independent Shareholders by way of poll at the SGM. **Assuming full conversion of the Convertible Note, without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note, the aggregate shareholding of the Subscriber and persons acting in concert with it in the Company will exceed 50%, and if the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the SGM, the Subscriber and persons acting in concert with it may further increase their shareholdings in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.**

The Subscriber, its ultimate beneficial owners and persons acting in concert with any of them, their respective associates and those involved or interested in the Convertible Note Subscription and the Whitewash Waiver (including Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong and Mr. Shi Jian Dong, in aggregate holding 1,969,460,472 Shares) shall abstain from voting at the SGM in respect of the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. As at the Latest Practicable Date, the Subscriber and persons acting in concert with it had not received any irrevocable commitment from any Independent Shareholder that they will vote in favour of or against the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

The Subscriber and each director and shareholder of the Subscriber has undertaken to the Company that apart from the Convertible Note Subscription Agreement, neither it/he/she nor any persons acting in concert with it/him/her will:

(a) from the date of the Convertible Note Subscription Agreement until the Completion Date acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company; and

(b) within 6 months after the SGM, acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company from or to a person who is a Director or substantial Shareholder at any time during the period from the date of the Announcement to the Completion Date (both dates inclusive).

7. INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, save for the Outstanding Convertible Bonds which are convertible into 511,074,068 Shares at the current conversion price of HK$0.992 per Share, the Company does not have any options, warrants or convertible securities in issue. Furthermore, the Subscriber and each of its directors and shareholders has confirmed that save for (i) the allotment and issue of 700,000,000 Shares by the Company to the Subscriber on 28 March 2011 pursuant to the subscription agreement dated 9 December 2010 entered into between the Company and the Subscriber and (ii) the entitlement by it/him/her and persons acting in concert with it/him/her who are Shareholders of scrip dividend in respect of the Group's final dividend for the year ended 31 December 2010 pursuant to the Scrip Dividend Scheme, neither it/he/she nor any persons acting in concert with it/him/her:

(a) has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the 6 months prior to the date of the Convertible Note Subscription Agreement and up to the Latest Practicable Date;

(b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;

(c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or shares of the Subscriber with any other persons; and

(d) has any agreements or arrangements to which it/he/she is a party which relate to the circumstances in which it/he/she may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Convertible Note Subscription Agreement or the Whitewash Waiver, nor any such agreements or arrangements the consequences of its/his/her so invoking or seeking to invoke a pre-condition or a condition to such transactions would result in any break fees being payable.

For purposes of facilitating the dealing in the Outstanding Convertible Bonds by the placees of the Outstanding Convertible Bonds (the "**CB Investors**"), Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch, being the joint bookrunners of the Outstanding Convertible Bonds, had demanded stock borrowing arrangements with the Subscriber, being the controlling Shareholder, for subsequent lending of the Shares to the CB Investors such that the CB Investors will be able to set up short positions to formulate arbitrage strategies to hedge against price changes in the Shares. Accordingly, the Subscriber entered into a stock borrow agreement with each of the Stock Borrowers to lend the Lent Shares to the Stock Borrowers. Since (i) neither of the Stock Borrowers are involved or interested in, or have participated in any negotiations relating to, the Convertible Note Subscription Agreement or the transactions contemplated thereunder or the Whitewash Waiver; (ii) according to the relevant stock borrow agreements relating to the Lent Shares, the Stock Borrowers have no obligations to exercise the voting rights attached to the Lent Shares in accordance with the instructions of the Subscriber; (iii) neither of the Stock Borrowers have advised the Subscriber in respect of the stock borrowing arrangements nor the Convertible Note Subscription nor the Whitewash Waiver; and (iv) neither of the Stock Borrowers had met or contacted the Subscriber, its representatives and/or persons acting in concert with the Subscriber in respect of the Convertible Note Subscription and the Whitewash Waiver, they are not considered persons acting in concert with the Subscriber for the purpose of the Convertible Note Subscription and the Whitewash Waiver.

As at the Latest Practicable Date, (i) no holder of the Lent Shares is a person acting in concert with the Subscriber or is otherwise involved or interested in, or have participated in any negotiations relating to, the Convertible Note Subscription Agreement and the transactions contemplated thereunder or the Whitewash Waiver, and (ii) save for the lending of the Lent Shares, there are not any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Subscriber or any person acting in concert with it has borrowed or lent.

8. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company allotted and issued a total of 700,000,000 new Shares to the Subscriber on 28 March 2011 and raised net proceeds of approximately HK$560 million, all of which will be applied to the continuous development of the Group's development project at Huangpu District, Shanghai as disclosed in the Company's circular dated 10 January 2011.

Save as disclosed above, the Company did not conduct any other fund raising activities during the past twelve months immediately preceding the Latest Practicable Date.

9. GENERAL

Pursuant to the Listing Rules, the Subscription IBC comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder. Pursuant to the Takeovers Code, the Whitewash IBC comprising one of the non-executive Directors, namely Mr. Jin Bing Rong, and all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders as to (i) the fairness and reasonableness of the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver and (ii) how they should vote in respect of the resolutions to be proposed at the SGM to approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. Since Mr. Cheung Wing Yui, the other non-executive Director, is a consultant of Messrs. Woo, Kwan, Lee & Lo, which is the Hong Kong legal advisers to the Company in relation to the Convertible Note Subscription and the Whitewash Waiver, he has not been appointed as a member of the Whitewash IBC. No member of the Subscription IBC nor the Whitewash IBC has any interest or involvement in the Convertible Note Subscription or the Whitewash Waiver. The Independent Financial Adviser has been appointed to advise the Subscription IBC, the Whitewash IBC and the Independent Shareholders in this regard, the appointment of which has been approved by the Subscription IBC and the Whitewash IBC respectively.

10. PRINCIPAL ACTIVITIES OF THE SUBSCRIBER AND THE GROUP

The principal activity of the Subscriber is investment holding.

The Group is an integrated property developer in the PRC and is principally engaged in the development and sale of residential and commercial properties in Shanghai, Shenyang (Liaoning Province), Haikou (Hainan Province), Wuxi (Jiangsu Province), Jiaxing (Zhejiang Province) and Chengdu (Sichuan Province), with a focus on middle to high-end residential properties. In addition, the Group is also engaged in the planning, management and operations of new towns in the PRC.

11. SPECIAL GENERAL MEETING

Set out on pages SGM-1 to SGM-3 of this circular is a notice of the SGM to be convened and held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 June 2011 at 3:00 p.m. at which ordinary resolutions will be proposed for the Independent Shareholders to consider, and if thought fit, approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. In compliance in the Listing Rules, the votes to be taken at the SGM in respect of the resolutions to be proposed at the SGM will be taken by poll, the results of which will be published after the SGM.

To the best of Director's knowledge, information and belief, after making all reasonable enquiries, as at the Latest Practicable Date, save for the Lent Shares:

(a) (i) there were no voting trust or other agreements or arrangements or understandings (other than outright sale) entered into by or binding upon the Subscriber, Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong and Mr. Shi Jian Dong and their respective associates; and

(ii) there were no obligations or entitlement of the Subscriber, Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong and Mr. Shi Jian Dong and their respective associates,

whereby such persons had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and

(b) there were no discrepancy between the beneficial shareholding interests of the Subscriber, Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong and Mr. Shi Jian Dong and their respective associates and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the SGM.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch registrar, Tricor Tengis Limited, situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournments therof. Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjournments thereof should you so desire.

12. RECOMMENDATIONS

The Directors (including all the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the Convertible Note Subscription and the Convertible Note Subscription Agreement are fair and reasonable and on normal commercial terms and the Convertible Note Subscription and the Whitewash Waiver are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the SGM to approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Your attention is drawn to:

(a) the letter from the Subscription IBC, the text of which is set out in page 26 of this circular;

(b) the letter from the Whitewash IBC, the text of which is set out in page 27 of this circular;

(c) the letter from Independent Financial Adviser, the text of which is set out in pages 28 to 52 of this circular; and

(d) the letters and valuation certificates from Jones Lang LaSalle Sallmanns and DTZ Debenham Tie Leung, the texts of which are set out in Appendices II and III of this circular.

13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
SRE Group Limited
Shi Jian
Chairman

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

26 May 2011

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF CONVERTIBLE NOTE BY THE CONTROLLING SHAREHOLDER AND APPLICATION FOR WHITEWASH WAIVER

This independent board committee has been appointed to advise you on the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 26 May 2011 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Convertible Note Subscription and the advice of the Independent Financial Adviser in relation thereto as set out on pages 28 to 52 of the Circular, we are of the opinion that the Convertible Note Subscription and the Convertible Note Subscription Agreement are fair and reasonable and on normal commercial terms and the entering into of the Convertible Note Subscription Agreement is in the interests of the Group and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the resolution to be proposed at the SGM to approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
Subscription IBC

Jiang Xie Fu	**E. Hock Yap**	**Zhuo Fumin**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

* *For identification purpose only*

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

26 May 2011

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF CONVERTIBLE NOTE BY THE CONTROLLING SHAREHOLDER AND APPLICATION FOR WHITEWASH WAIVER

This independent board committee has been appointed to advise you as to (i) the fairness and reasonableness of the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver and (ii) how you should vote in respect of the resolutions to be proposed at the SGM to approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 26 May 2011 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Convertible Note Subscription and the Whitewash Waiver and the advice of the Independent Financial Adviser in relation thereto as set out on pages 28 to 52 of the Circular, we are of the opinion that the Convertible Note Subscription Agreement and the transactions contemplated thereunder and Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the resolutions to be proposed at the SGM to approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
Whitewash IBC

Jin Bing Rong
Non-executive Director

Jiang Xie Fu
Independent non-executive Director

E. Hock Yap
Independent non-executive Director

Zhuo Fumin
Independent non-executive Director

* *For identification purpose only*

The following is the text of the letter of advice from OSK Capital Hong Kong Limited, the independent financial adviser to the Subscription IBC, the Whitewash IBC and the Independent Shareholders for the purpose of incorporation into this circular.

OSK Capital Hong Kong Limited
僑豐融資有限公司
Subsidiary of OSK Investment Bank Berhad, Malaysia

11/F., Hip Shing Hong Centre,
55 Des Voeux Road Central,
Hong Kong

26 May 2011

The Subscription IBC, the Whitewash IBC and
the Independent Shareholders
SRE Group Limited

Dear Sirs,

CONNECTED TRANSACTION RELATING TO
THE SUBSCRIPTION OF CONVERTIBLE NOTE
BY THE CONTROLLING SHAREHOLDER
AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Subscription IBC, the Whitewash IBC and the Independent Shareholders in connection with the Convertible Note Subscription and the Whitewash Waiver, details of which are set out in the circular of the Company dated 26 May 2011 (the "Circular") of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

On 6 May 2011, the Company entered into the Convertible Note Subscription Agreement with the Subscriber, whereby the Subscriber agreed to subscribe for the Convertible Note. The Subscriber, when the Convertible Note Subscription Agreement was entered into, was interested in approximately 45.27% of the issued share capital of the Company (including the Lent Shares) and was the controlling shareholder and thus a connected person of the Company under the Listing Rules. The Convertible Note Subscription therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the Subscriber and persons acting in concert with it are interested in approximately 45.76% of the issued share capital of the Company. Under Rule 26 of the Takeovers Code, if the Subscriber acquires Conversion Shares such that the aggregate interests of the Subscriber and persons acting in concert with it in the voting rights in the Company increase by more than 2% from their lowest collective holding of voting rights in the Company in the 12-month period immediately prior to the acquisition, the Subscriber and persons acting in concert with it will be obliged to make a general offer unless the Whitewash Wavier is granted by the Executive and approved by the Independent

Shareholders by way of a poll. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver from an obligation to make such a general offer under Rule 26 of the Takeovers Code. The Executive has indicated that it will grant to the Subscriber the Whitewash Waiver, subject to, among others, the approval of the Independent Shareholders at the SGM.

The Subscriber, its ultimate beneficial owners, the persons acting in concert with any of them and the Subscriber's associates, including Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong, and those Shareholders who are involved or interested in the Convertible Note Subscription and the Whitewash Wavier will abstain from voting at the SGM in respect of the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder, and the Whitewash Waiver.

As required under the Listing Rules, the Subscription IBC comprising all the independent non-executive Directors, namely Mr. E. Hock Yap, Mr. Jiang Xie Fu and Mr. Zhuo Fumin, has been established to give advice and recommendation to the Independent Shareholders in respect of the Convertible Note Subscription. As required under the Takeovers Code, the Whitewash IBC comprising one of the non-executive Directors, namely Mr. Jin Bing Rong, and all the independent non-executive Directors has been established to give advice and recommendation to the Independent Shareholders in respect of (i) the fairness and reasonableness of the terms and conditions of the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; and (ii) whether to vote for or against the resolutions to be proposed at the SGM to approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

OSK Capital Hong Kong Limited has been appointed as the independent financial adviser to advise the Subscription IBC, the Whitewash IBC and the Independent Shareholders as to whether the terms of the Convertible Note Subscription and the transactions contemplated thereunder, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and whether the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied upon the information, facts and representations contained in the Announcement, the Circular and those supplied or made available by the management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, the Subscriber and their respective associates.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Convertible Note Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors.

Information on the Group

Business of the Group

The Group is principally engaged in the real estate development, property leasing and hotel operations in the PRC. The Group also principally engages in large-scale new towns planning and development through its listed subsidiary, China New Town Development Company Limited ("CNTD").

Financial performance of the Group

The following is a summary of the Group's financial results for the years ended 31 December 2008, 2009 and 2010 as extracted from the respective annual reports.

	For the year ended 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	6,288,774	2,830,596	3,739,865
Gross profit	2,539,581	1,236,665	894,878
Profit attributable to shareholders	629,652	785,081	247,936

The Group recorded a decrease in profit attributable to shareholders from HK$785.1 million for the year ended 31 December 2009 to HK$629.7 million for the year ended 31 December 2010 despite an increase in revenue and gross profit. We understand from the Company that such decrease in profit attributable to shareholders is mainly because the Group recognised other gains of HK$1.1 billion for the year ended 31 December 2009 while the Group recognised other losses of HK$167.0 million for the year ended 31 December 2010. Other gains for the year ended 31 December 2009 include fair value gains relating to investment properties and associate and gain on redemption of the Group's guaranteed senior notes. Other losses for the year ended 31 December 2010 include fair value loss relating to investment properties.

Set out below is an analysis of the Group's finance costs for the years ended 31 December 2008, 2009 and 2010 as extracted from the respective annual reports:

	For the year ended 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Interest expenses:			
Interest on bank borrowings and other borrowings			
– wholly repayable within five years	391,730	301,490	298,908
Interest on bank borrowings and other borrowings			
– wholly repayable beyond five years	183,108	56,410	–
Interest on the guaranteed senior notes			
– wholly repayable within five years	70,589	111,494	140,915
Interest on convertible bonds			
– wholly repayable within five years	61,407	34,100	4,320
	706,834	503,494	444,143
Less: Amount capitalised in properties held or under development for sale, investment properties under construction and construction in progress	(393,888)	(324,380)	(433,080)
Finance costs	312,946	179,114	11,063
% of total interest expenses to revenue	11%	18%	12%

Financial position of the Group

Set out below is a summary of the Group's assets and liabilities as at 31 December 2008, 2009 and 2010 as extracted from the respective annual reports:

	As at 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	11,162,892	10,961,375	9,079,006
Current assets	29,579,114#	23,712,727	12,228,123
Current liabilities	(16,931,218)	(14,281,363)	(7,420,111)
Net current assets	12,647,896	9,431,364	4,808,012
Non-current liabilities	(12,483,627)	(9,085,059)	(6,013,657)
Net assets	11,327,161	11,307,680	7,873,361

The Company issued a total of 700,000,000 new Shares to the Subscriber on 28 March 2011 and raised net proceeds of approximately HK$560 million. Details of the subscription are disclosed in the circular of the Company dated 10 January 2011.

Set out below is the Group's debt and capital capitalisation as at 31 December 2008, 2009 and 2010 as extracted from the respective annual reports:

	As at 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Short-term bank and other borrowings	3,169,554*	1,589,958*	1,495,640*
Long-term bank and other borrowings	8,863,028	5,942,549	3,045,114
Total bank and other borrowings	12,032,582	7,532,507	4,540,754
Convertible bonds	354,548	312,219	62,088
Guaranteed notes – current	–	95,813*	–
Guaranteed notes – non-current	557,322	552,463	1,537,947
Total debts	12,944,452	8,493,002	6,140,789
– total current debts	3,169,554	1,685,771	1,495,640
– total non-current debts	9,774,898	6,807,231	4,645,149
Capital and reserves			
Issue capital and share premium	4,736,489	4,736,489	4,003,101
Other reserves	1,142,493	1,221,202	1,019,625
Retained earnings	2,665,801	2,234,050	1,449,859
Total capital and reserves	8,544,783#	8,191,741	6,472,585
Total capitalisation	21,489,235	16,684,743	12,613,374

* classified as current liabilities

The Company issued a total of 700,000,000 new Shares to the Subscriber on 28 March 2011 and raised net proceeds of approximately HK$560 million. Details of the subscription are disclosed in the circular of the Company dated 10 January 2011.

The amount of interest-bearing bank and other borrowings increased substantially from HK$4.5 billion as at 31 December 2008 to HK$12.0 billion as at 31 December 2010, representing an increase of approximately 167%. This principally related to an increase in the Group's real estate developments during the year and the consolidation of CNTD since 2009 (CNTD became the Group's subsidiary on 9 September 2009 and had bank borrowings of HK$2.5 billion as at 31 December 2010).

A majority of the Group's debts are denominated in RMB. The carrying amounts of the bank and other borrowings as at 31 December 2008, 2009 and 2010 were denominated in the following currencies, as extracted from the respective annual reports.

	As at 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollars	1,303,124	637,517	501,678
United States dollars	49,017	92,022	145,210
RMB	10,680,441	6,802,968	3,893,866
	12,032,582	7,532,507	4,540,754

Set out below is the weighted average effective interest rates of the Group's borrowings as at 31 December 2010 as extracted from the Company's annual report.

	HK$	*US$*	*RMB*
Short-term bank borrowings	1.79%	–	–
Other short-term borrowings	–	–	5.56%
Long-term bank borrowings	2.76%	–	5.89%
Other long-term borrowings	–	6.01%	11.56%

On 24 April 2006, the Company issued guaranteed senior notes maturing on 24 April 2013, with an aggregate principal amount of US$200 million and a fixed interest rate of 8.625% per annum (the "2013 Guaranteed Notes"), which are quoted on the Stock Exchange. As at 31 December 2010, the outstanding principal amount of the 2013 Guaranteed Notes was HK$557.3 million. The Company has to redeem the 2013 Guaranteed Notes upon final maturity, and has the option to redeem the 2013 Guaranteed Notes prior to final maturity at 100% of the note's principal amount. As at the Latest Practicable Date, the yield to maturity of the 2013 Guaranteed Notes was 14.809%.

The yield to maturity of a bond/note or other fixed-interest security is the internal rate of return earned by an investor who buys the bond/note today at the market price/issue price, assuming that the bond/note will be held until maturity, and that all interest and principal payments will be made on schedule. The calculation of yield to maturity takes into account the market price, redemption amount, interest rate and time to maturity. It represents the average cost to the issuer as well as the investors' required return on a bond/note. It enables issuer to assess the average costs and investors to compare the merits of different financial instruments and is a commonly used tool in the market. Accordingly, in evaluating the terms of the Convertible Note, we will refer to its issuing yield to maturity.

On 23 July 2009, the Group issued the Outstanding Convertible Bonds which are recorded as "Convertible bonds-host debts" under non-current liabilities and "Equity component of convertible bonds" under other reserves in the Group's statement of financial position and are quoted on the Stock Exchange. The Outstanding Convertible Bonds have an aggregate principal amount of RMB446.9 million and will mature on 23 July 2014 with interest rate of 6% per annum. The current conversion price is HK$0.992 per Share, representing a conversion rate of 114,359.8273 Shares per each RMB100,000 of the Outstanding Convertible Bonds. Under the terms of the Outstanding Convertible Bonds, the holders have the right to require the Company to redeem all or some of the Outstanding Convertible Bonds at the aggregate principal amount plus the relevant accrued interest on 23 July 2012 by giving a prior notice of not more than 60 days and not less than 30 days. As at 31 December 2010, the outstanding principal amount of the Outstanding Convertible Bonds was HK$525.2 million. The Company has the option to redeem the Outstanding Convertible Bonds at 100% of the principal amount if at least 90% in the principal amount of the Outstanding Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled before 30 days prior to its maturity date. The Company or any of its subsidiaries may at any time and from time to time purchase the Outstanding Convertible Bonds at any price in the open market or otherwise.

As at the Latest Practicable Date, the Outstanding Convertible Bonds were out of the money and the yield to maturity of the Outstanding Convertible Bonds was 8.533%. As compared to the 2013 Guaranteed Notes, the Outstanding Convertible Bonds have a much lower yield to maturity as the Outstanding Convertible Bonds are embedded with options to convert into new Shares. As at 31 December 2010, the carrying value of the Outstanding Convertible Bonds amounted to HK$354.5 million (not including the equity component of HK$179.4 million).

We note that the Group's total indebtedness increased substantially from HK$6.1 billion as at 31 December 2008 to HK$12.9 billion as at 31 December 2010 to support the Group's business development and expansion. The Group's interest expenses for the years ended 31 December 2009 and 2010 amounted to HK$503.5 million and HK$706.8 million respectively, representing an increase of approximately 40%. The increase in the interest expenses was principally due to the increase in total interest-bearing bank and other borrowings as set out above.

Cash flow position

Set out below is a summary of the condensed consolidated cash flow statement of the Group for the year ended 31 December 2008, 2009 and 2010 as extracted from the respective annual reports.

	For the year ended 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Net cash inflow/(outflow) from operating activities	(2,168,776)	2,351,737	(1,055,775)
Net cash inflow/(outflow) from investing activities	(464,619)	(542,292)	(625,872)
Net cash inflow/(outflow) from financing activities	2,251,701	1,447,458	598,544
Net increase/(decrease) in cash and cash equivalents	(381,694)	3,256,903	(1,083,103)

For the year ended 31 December 2010, the Group had net cash outflow from operating activities of HK$2.2 billion. We understand from the Company that it was mainly due to cash requirements to fund property development projects and a decrease in cash inflows from pre-sales of properties when comparing with the year ended 31 December 2009. The Group financed the operating cash outflow substantially by external debt financing. As at 31 December 2010, the Group had cash and bank balances of HK$5.4 billion.

Background of the Subscriber

The Subscriber is an investment holding company and has been the Group's controlling shareholder since 1999.

The shareholders of the Subscriber consist of, among others, Mr. Shi Jian (holding a 33% interest), Md. Si Xiao Dong (the spouse of Mr. Shi Jian, holding a 30% interest), Mr. Li Yao Min (holding a 5% interest), Mr. Yu Hai Sheng (holding a 5% interest), Mr. Shi Jian Dong (holding a 5% interest), Mr. Jiang Xu Dong (holding a 2% interest), Mr. Shi Pin Ren (holding a 1% interest), Mr. Yue Wai Leung Stan (holding a 2% interest), Ms. Gu Biya (holding a 1% interest), Ms. Song Yiqing (holding a 1% interest), Mr. Mao Yiping (holding a 1% interest), Mr. Yang Yonggang (holding a 1% interest), and other relatives of Mr. Shi Jian and/or Md. Si Xiao Dong (holding in an aggregate 8% interest), and unrelated parties comprising 4 long term employees of the Group, namely Mr. Wang Zi Xiong (holding a 2% interest), Mr. Huang Wei Lun (holding a 1% interest), Ms. Li Hua (holding a 1% interest) and Mr. Xue Jian Ming (holding a 1% interest). Each of Mr. Shi Jian, Mr. Li Yao Min and Mr. Yue Wai Leung Stan is both a Director and a director of CNTD. Each of Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Shi Pin Ren is a Director. Each of Ms. Gu Biya, Ms. Song Yiqing, Mr. Mao Yiping and Mr. Yang Yonggang is a director of CNTD.

Reasons for and benefits of the Convertible Note Subscription

The Group is an integrated property developer in the PRC and is principally engaged in the development and sale of residential and commercial properties in Shanghai, Shenyang (Liaoning Province), Haikou (Hainan Province), Wuxi (Jiangsu Province), Jiaxing (Zhejiang Province) and Chengdu (Sichuan Province) with a focus on middle to high-end residential properties. In addition, the Group is engaged in the planning, managing and operating of new towns in the PRC through CNTD and its subsidiaries.

The Group's property and new town development projects, which generally require the Group to incur substantial capital outlay (such as construction costs) in their initial development stage, are normally developed over certain number of years and are primarily financed by bank borrowings and cash received from the presale/sale of properties and land development projects. The management of the Group from time to time monitors its liquidity position such that the Group's working capital available matches with the progress of its various property development projects. As described in the annual report for the year ended 31 December 2010 (the "2010 Annual Report"), safeguarding the Group's ability to continue as a going concern and maintaining healthy capital ratios in order to support its business and maximise the Shareholders' value are the primary objectives of the Group's capital management policy.

As stated in the 2010 Annual Report, the Group recorded a substantial increase of approximately 60% in its interest-bearing bank and other borrowings from HK$7.5 billion as at 31 December 2009 to HK$12.0 billion as at 31 December 2010, resulting in substantial increases in (i) the Group's gearing ratio by 14% from 26% as at 31 December 2009 to 40% as at 31 December 2010; and (ii) the Group's interest expenses (before capitalisation) by approximately 40% from HK$503.5 million for the year ended 31 December 2009 to HK$706.8 million for the year ended 31 December 2010. In addition, the Outstanding Convertible Bonds have an early redemption provision which allows their holders requiring the Company to redeem all or some of their holding in the Outstanding Convertible Bonds on 23 July 2012. Given that the cash and bank balances of the Group amounted to HK$5.4 billion while capital commitment and commitments in respect of land or property development for sale amounted to HK$15.8 billion as at 31 December 2010, the possible early redemption of the Outstanding Convertible Bonds may have negative impact on the Group's cash operating position in the absence of the Convertible Note Subscription or other suitable fund raising. The management of the Company intends to apply the net proceeds from the Convertible Note Subscription (which are estimated to be approximately HK$546 million) to repay part of the Group's existing interest-bearing debts (which generally bear higher interest rates than the Convertible Note does) and, in particular, to meet the possible capital requirement resulted from any early redemption of the Outstanding Convertible Bonds. We agree that the purpose of the Convertible Note issue is incidental to the Group's ordinary and usual course of business.

According to the report issued by Moody's Investors Service in April 2011 (the "Moody's Report"), the outlook for the PRC's property sector has been downgraded from stable to negative as a result of the tightening regulatory measures, rising interest rates, reduced bank lending, significant refinancing needs and increasing supply facing by PRC's property developers. The Moody's Report also indicated that the Group, which has a high debt leverage and substantial land and development expenditures, was relatively vulnerable to a downturn in the PRC's property market in terms of liquidity position. The Group has considered a number of refinancing alternatives such as bank loans or debts to strengthen the Group's liquidity position, but those alternatives would be more costly and would cast high uncertainty to the Group's financial performance under an interest rate hiking cycle when compared with the lower fixed interest rate of the Convertible Note (as further discussed in section "Principal terms of the Convertible Note Subscription" below). This also gives the Group flexibility in repurchasing the Outstanding Convertible Bonds on market and/or repaying part of other interest-bearing debts of the Group in order to reduce the Group's overall interest expenses. We understand that the Board will closely monitor the cost of capital of the Group and the interest rate market in order to determine which debts to be retired and the best timing to do so.

The Convertible Note is to be issued at par without a redemption premium, the issuing yield of the Convertible Note equals the interest rate of 2% per annum. As set out in the section "Information on the Group", the interest rate of the Outstanding Convertible Bonds is 6% per annum. The interest rate of the Outstanding Convertible Bonds is three times over that of the Convertible Note. Save for a short term HK dollar loan of HK$1.1 billion, all other borrowings of the Group as at 31 December 2010 had higher interest rates than that of the Convertible Note. The Group can reduce its interest expenses if the proceeds of the Convertible Note would be used to settle the Outstanding Convertible Bonds or most other debts.

As set out in the section "Information on the Group", approximately 89% of the Group's interest-bearing bank and other borrowings are denominated in RMB and the weighted average effective interest rates of these borrowings range from 5.56% per annum to 11.56% per annum for the year ended 31 December 2010. We understand from the Company that the interest rates of the Group's RMB bank and other borrowings are principally determined based on loan interest rates in the PRC promulgated by the People's Bank of China. Since 1 January 2011 and up to the Latest Practicable Date, loan interest rates in the PRC have increased two times totalling 0.50%. Even if the Group is able to obtain additional funding through bank and other borrowings in the PRC at interest rates of the Group's debts as at 31 December 2010, the Group will have to pay interest at a rate of at least approximately 2.8 times the interest rate payable under the Convertible Note.

Set out below are charts showing the yield to maturity of the Outstanding Convertible Bonds and the 2013 Guaranteed Notes (which are listed), and the PRC loan interest rate from 1 January 2008 to the Latest Practicable Date (Chart 1) and from 1 January 2010 to the Latest Practicable Date (Chart 2):

Chart 1

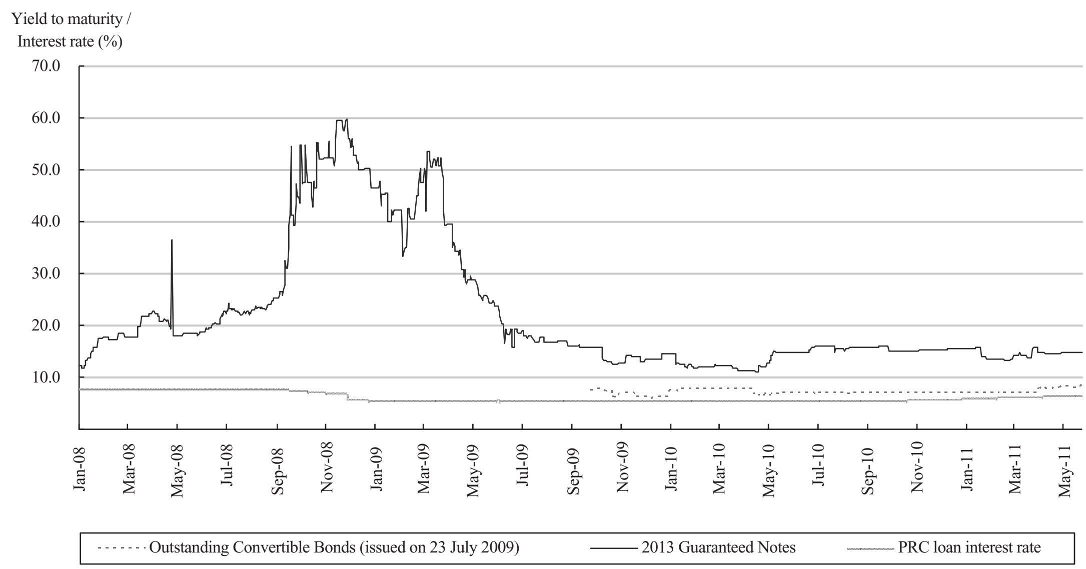
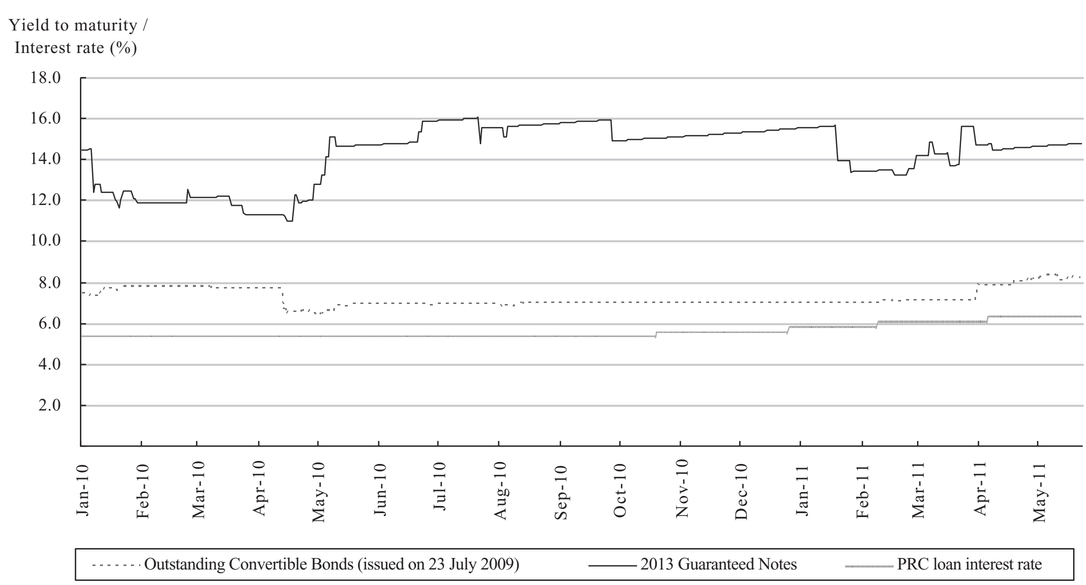


Chart 2



We quote below an article issued by the Hong Kong Monetary Authority on 14 April 2011.

Since the global financial crisis in 2008, central banks in major economies had pushed down interest rates to very low levels and implemented the well-known quantitative easing ("QE"), akin to printing large amounts of money, to revive their economies. As the interest rates were already close to zero, the next move could only be heading up, even though when that would happen and how fast they may go up could not be predicted. There were now indeed signs that there might not be further monetary easing in major economies such as the United States, the Eurozone and the United Kingdom. On the contrary, the very loose monetary conditions in most developed economies would likely return to a more normal state gradually, i.e. a "normalisation" of monetary conditions may be on the horizon. Faced with strong inflationary pressure, reflecting the rising food and energy prices, several Asian economies had already begun to raise interest rates to combat inflation. For example, the People's Bank of China had raised interest rates and required reserve ratios to curb both consumer and asset price inflation in the PRC. Other central banks such as the Bank of Korea and the Bank of Thailand also raised interest rates in March this year. Even in developed economies which were most affected by the financial tsunami, the central banks were increasingly alert to the risks of inflation. The European Central Bank raised interest rates in early April this year, to guard against upside risks of inflation. In the United Kingdom, a few members of the Bank of England's Monetary Policy Committee repeatedly voted for interest rate hikes at the past few meetings. As regards the United States, there were signs that the economic recovery was now on a firmer footing. Market expects that there would be no more QE after the completion of the second round of QE in mid-2011. If the indicators which gauge market expectations for the policy interest rate in the United States were taken into account, market participants advanced the expected timing of a hike since late last year.

Based on a research report published by DBS Bank Limited on 11 March 2011, one-year loan interest rate in the PRC was forecasted to hike from 6.56% in the second quarter of 2011 to 7.31% in the first quarter of 2012; 3-month HIBOR in Hong Kong was forecasted to hike from 0.25% in the second quarter of 2011 to 1.05% in the first quarter of 2012; and 3-month LIBOR in the US was forecasted to hike from 0.35% in the second quarter of 2011 to 1.30% in the first quarter of 2012. As at the Latest Practicable Date, one-year loan interest rate in the PRC was 6.31%, 3-month HIBOR in Hong Kong was 0.26% and 3-month LIBOR in the US was 0.26%.

It is a general market expectation that interest rates are going to go up. We agree with the Company that it may be a good timing to raise fixed rate debt financing, as in the case of the Convertible Note, to avoid the likely possible increase in interest rate in the near future.

We have reviewed and discussed with the Company the cash flow requirements and projections of the Group (excluding CNTD, which is a separately listed company on the Main Board of the Stock Exchange and the Singapore Stock Exchange, and its subsidiaries) for the two years ending 31 December 2012 and the cash inflow and outflow requirements and estimates of the Group's projects as assessed internally by the Group, other loan repayment plans and obligations and capital commitment. Based on the projections we understand that it is necessary for the Group to raise additional funding for minimising the negative impact on the Group's operation as a result of the possible early redemption of the

Outstanding Convertible Bonds. Without the Convertible Note Subscription, the Group might have to obtain other financing to meet the possible early redemption of the Outstanding Convertible Bonds after July 2012.

Having considered the information from the Company and our review and analysis mentioned above, we agree with the Directors' view that it is currently an appropriate time to issue the Convertible Note and that the Convertible Note Subscription could help the Group maintain its ability and flexibility in meeting any early redemption of the Outstanding Convertible Bonds and/or repaying part of the Group's other interest-bearing debts to reduce its overall interest expenses and thus is in the interests of the Company and its Shareholders.

Principal terms of the Convertible Note Subscription

Under the Convertible Note Subscription Agreement, the Subscriber agreed to subscribe for the Convertible Note in an aggregate amount of HK$550 million. Principal terms of the Convertible Note are set out in the letter from the Board in the Circular (the "Letter from the Board").

Conversion Price

We note that the Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to, among others, the recent trading prices of the Shares on the Stock Exchange. The Conversion Price of HK$1.00 per Share represents:

(i) a premium of approximately 44.9% over the closing price of HK$0.69 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 44.1% over the average closing price of HK$0.694 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(iii) a premium of approximately 42.5% over the average closing price of HK$0.702 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;

(iv) a premium of approximately 47.1% to the closing price of HK$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 49.6% to the Group's audited consolidated net asset value per Share as at 31 December 2010 of approximately HK$1.985 (based on a total of 4,303,881,194 Shares as at the date of the Convertible Note Subscription Agreement and the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$8,544,783,000 as at 31 December 2010); and

(vi) a premium of approximately 0.8% over the existing conversion price of the Outstanding Convertible Bonds which were issued almost two years ago in July 2009.

Whilst the Conversion Price represents a substantial discount to the net asset value per Share, we consider that the determination of the Conversion Price should preliminary based on market price of the Shares which in turn represents the market view on the valuation of the Shares. Shares have been traded at an even more substantial discount to the net asset value per Share.

The chart below illustrates the daily closing prices of the Shares during the 12-month period prior to the date of the Convertible Note Subscription Agreement (the "Past 12-Month Period"):

Source: Infocast

During the Past 12-Month Period, the closing price of the Shares ranged from HK$0.66 per Share to HK$0.89 per Share with an average daily closing price of HK$0.768 per Share. The Conversion Price is approximately 12.36% and 30.21% higher than the maximum closing price during the Past 12-Month Period and the average daily closing price for the Past 12-Month Period respectively.

In order to assess the fairness and reasonableness of the terms of the Convertible Note, based on the information available from the Stock Exchange's website, we set out below information of all those transactions involving subscription of convertible instruments with fixed maturity date (excluding transactions involving asset acquisitions or companies under debt restructuring) as announced by companies listed on the Main Board of the Stock Exchange in the last six months prior to the date of the Convertible Note Subscription Agreement (the "Comparable Transactions"). According to the announcements of the Comparable Transactions, conversion prices were determined with reference to, among other things, trading price of the relevant shares prior to the agreements.

Date of ann't	Stock code	Company	Issue price	Premium/ (discount) of the conversion price over the closing price immediately prior to announcement	Term *(Year)*	Interest rate	Final redemption price	Issuing yield to maturity	Share price volatility of the relevant share at ann't date	Share price volatility of the relevant share at Latest Practicable Date
4 Apr 2011	76	South Sea Petroleum Holdings Limited	100%	Note 3	10	3.00%	112%	4.00%	68.80	69.89
25 Nov 2010	846	Mingfa Group (international) Company Limited	100%	16.94%	5	5.00%	129.82%	9.77%	25.35	24.78
18 Apr 2011	846	Mingfa Group (international) Company Limited	100%	20.00%	5	5.25%	126.42%	9.50%	24.77	24.78
9 Feb 2011	326	China Star Entertainment Limited	100%	9.59%	5	8.00%	100%	8.00%	95.44	94.47
2 Dec 2010	1638	Kaisa Group Holdings Limited	100%	20.00%	5	8.00%	100%	8.00%	38.66	41.99
10 Apr 2011	1886	China Huiyuan Juice Group Limited	100%	30.00%	5	4.00%	105.60%	5.00%	71.80	71.70
7 Apr 2011	3383	Agile Property Holdings Limited	100%	40.00%	5	4.00%	100%	4.00%	68.13	67.83
8 Apr 2011	69	Shangri-La Asia Limited	100%	35.00%	5	0.00%	111.84%	2.26%	47.88	47.83
13 Apr 2011	2380	China Power International Development Limited	100%	25.00%	5	2.25%	100%	2.25%	43.27	43.48
26 Nov 2010	1073	China Agrotech Holdings Limited	100%	28.21%	5	0.00%	106%	1.17%	68.30	66.94
19 Apr 2011	712	Comtec Solar Systems Group Limited	100%	(6.02%)	5	0.00%	100%	0.00%	52.87	53.89
31 Mar 2011	1164	Vital Group Holdings Limited	100%	(36.11%)[NB4]	5	0.00%	100%	0.00%	88.31	89.15
7 Apr 2011	67	China Lumena New Materials Corp.	100%	0.72%	3	6.00%	148.15%	18.39%	57.11	58.01
1 Dec 2010	519	Applied Development Holdings Limited	100%	0.00%	3	8.00%	100%	8.00%	74.38	74.01
23 Mar 2011	451	Same Time Holdings Limited	100%	(71.00%)[NB4]	3	1.00%	105%	2.62%	87.23	87.33
3 Mar 2011	521	Shougang Concord Technology Holdings Limited	100%	15.38%	3	1.50%	100%	1.50%	59.27	58.77
19 Dec 2010	527	China Ruifeng Galaxy Renewable Energy Holdings Limited	100%	(16.67%)	2.5	8.00%	110%	11.67%	67.35	66.91
15 Apr 2011	199	ITC Properties Group Limited	100%	6.80%	2.5	3.25%	105%	5.17%	69.51	69.38
6 May 2011	3823	Tech Pro Technology Development Limited	100%	8.33%	2	10.00%	106.39%	13.00%	86.44	86.22
25 Jan 2011	166	New Times Energy Corporation Limited	100%	(3.74%)[NB5] 6.95%[NB5]	2	9.00%	100%	9.00%	88.71	88.19

Date of ann't	Stock code	Company	Issue price	Premium/ (discount) of the conversion price over the closing price immediately prior to announcement	Term (Year)	Interest rate	Final redemption price	Issuing yield to maturity	Share price volatility of the relevant share at ann't date	Share price volatility of the relevant share at Latest Practicable Date
31 Jan 2011	275	Hanny Holdings Limited	100%	15.51%[NB6]	2	2.00%	100%	2.00%	101.69	101.62
20 Dec 2010	707	Co-prosperity Holdings Limited	100%	(15.63%)	2	1.00%	100%	1.00%	70.17	70.12
30 Mar 2011	198	SMI Corporation Limited	100%	20.51%	2	0.25%	100%	0.25%	62.22	62.46
8 Mar 2011	767	Pacific Plywood Holdings Limited	100%	(18.00%)[NB7]	1.5	6.00%	100%	6.00%	143.35	157.38
1 Dec 2010	30	ABC Communications (Holdings) Limited	100%	(14.41%)	1	4.00%	104%	8.00%	82.12	87.79
		Maximum	100%	40.00%	10	10.00%	148.15%	18.39%	143.35	151.25
		Minimum	100%	(71.00%)	1	0.00%	100%	0.00%	24.77	24.68
		Average	100%	4.69%	3.8	3.98%	106.81%	5.62%	69.72	70.25
		Excluding those issues at zero issuing yield to maturity (excluding the outliers)								
		Maximum	100%	40.00%	5	10.00%	148.15%	18.39%	143.35	151.25
		Minimum	100%	(18.00%)	1	0.00%	100%	0.00%	24.77	24.68
		Average	100%	10.54%	3.5	4.12%	107.30%	5.95%	67.15	67.72
		Those issues with a term of 5 years (excluding the outliers)								
		Maximum	100%	40.00%	5	8.00%	129.82%	9.77%	95.44	92.96
		Minimum	100%	(6.02%)	5	0.00%	100%	0.00%	24.77	24.68
		Average	100%	21.87%	5	3.65%	107.97%	5.00%	53.65	53.58
		The Convertible Note	100%	44.90%	5	2.00%	100%	2.00%	65.33	65.23

Notes:

1. Issuing yield to maturity is calculated using the following present value formula of a bond:

   $c / (1 + y)^1 + c / (1 + y)^2 + ... + c / (1 + y)^{t-1} + c / (1 + y)^t + B / (1 + y)^t = P$

   where

   y = issuing yield to maturity
   c = annual interest payment
   t = number of years to maturity
   B = redemption price
   P = issue price

   The issuing yield to maturity is calculated backwards from the above present value formula of a bond. There is no general formula that can be used to calculate the exact yield to maturity for a bond. Instead, the calculation must be done on a trial-and-error basis.

2. Data regarding share price volatility is sourced from Bloomberg. The share price volatility is either on a 999-day basis or the number of days since the date of listing of the relevant shares, whichever is longer. Share price volatility is a statistical measure of the dispersion of returns for a given

security or market index. In other words, volatility refers to the amount of uncertainty or risk about the size of changes in a security's value. This means that the price of a security with a higher volatility can statistically change more dramatically over a period of time in either direction than a security with a lower volatility. Share price volatility is one important factor in assessing the value of a stock option.

3. The conversion price shall be the higher of (i) 90% of the average closing price of the underlying share of any five consecutive trading days within sixty trading days immediately prior to the conversion date; and (ii) the current par value of the underlying share. The conversion price is floating. We consider that South Sea Petroleum Holdings Limited is an outlier.

4. We consider that the transactions of Vital Group Holdings Limited and Same Time Holdings Limited which involved the transfer of ownership and control of the listed companies are outliers and not comparable with other transactions.

5. This convertible note has two conversion prices depending on the conversion periods. We consider that the transaction of New Times Energy Corporation Limited is an outlier as compared with other transactions.

6. The issue of this convertible note was carried out in conjunction with a capital reorganisation and a rights issue. The rights shares represent 88.89% of Hanny Holdings Limited's issued share capital upon completion of capital reorganisation and as enlarged by the issue of the rights shares. The conversion price represents a premium of 15.51% over the theoretical ex-rights price.

7. The issue of this convertible note was carried out in conjunction with a rights issue. The rights shares represent 96.77% of Pacific Plywood Holdings Limited's issued share capital as enlarged by the issue of the rights shares. The conversion price represents a discount of 18% over the theoretical ex-rights price.

8. These issuers of the Comparable Transactions are engaged in property development which is comparable with the Group.

We note from the above table that the Conversion Price represents a premium of approximately 44.9% over the closing price of HK$0.69 at the Last Trading Day, which is higher than the range of the Comparable Transactions from a discount of 71% to a premium of 40%.

A debt convertible into securities could be viewed as a straight debt and an option. One will normally expect a straight debt to carry an effective interest payment (either in the form of a interest payment or in the form of a difference between the redemption price and the subscription price or both) due to, among other factors, time value of money and default risk. In the case of a debt with a zero issuing yield to maturity, it implies that the straight debt carries no effective interest payment. As every investor asks for a return for its investment, the lack of an effective interest payment will have to be compensated by the value of the option attached to the convertible debt. Accordingly, we consider that a convertible debt instrument with a zero yield to maturity should normally be issued with a conversion price representing a discount to the share price immediately prior to the announcement of the issue proposal whilst a convertible debt instrument with a non-zero yield to maturity should normally be issued with a conversion price representing a premium over the share price immediately prior to the announcement of the issue proposal. This is in particular the case when the term of the convertible debt is short. Term and share price volatility are also important factors in determining the conversion price. Excluding those convertible debt issues with zero issuing yield to maturity and those considered outliers, (i) the conversion prices of the Comparable Transactions represented a discount of 18% to a premium of 40% over their respective share price prior to announcement; and (ii) among those of the above Comparable Transactions with a term of 5 years, the conversion prices of such Comparable Transactions represented a premium of 9.59% to 40% over their respective share price prior to announcement, the premium of the Conversion Price is higher than that of every Comparable Transaction whilst the issuing yield to maturity of the Convertible Note is low as compared with that of the Comparable Transactions, i.e. the cost of the Convertible Note to the Group is lower than the costs of the Comparable Transactions. .

Taking into account that (i) the Conversion Price of HK$1.00 represents a premium over the recent closing prices of the Shares and the closing prices during the Past 12-Month Period despite the Conversion Price represents a discount of approximately 49.6% to the Group's audited consolidated net asset value per Share as at 31 December 2010 as explained in the paragraph headed "Principal terms of the Convertible Note Subscription – Conversion Price" above; and (ii) the level of the premium of the Conversion Price as compared to the latest share price is higher than all the Comparable Transactions, we consider that the Conversion Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Issue price, interest rate and redemption

The issue price is fixed at 100% of the principal amount of the Convertible Note. The redemption rate at maturity of the Comparable Transactions ranges from 100% to 148.15% of the principal amounts of the convertible instruments. The redemption price of the Convertible Note is at the minimum of the range.

The Convertible Note carries a interest rate of 2% per annum and will be redeemed at 100% of its outstanding principal amount on the maturity date. The interest rate which equals to the issuing yield to maturity of the Convertible Note is at the lower end of the range of the Comparable Transactions from 0% to 18.39%, and from 0% to 9.77% for those Comparable Transactions with a term of 5 years (excluding those considered outliers). In addition, the interest rate of the Convertible Note is much lower than the average issuing yield to maturity of the Comparable Transactions of 5.62%, and 5% for those Comparable Transactions with a term of 5 years (excluding those considered outliers). We consider that it is beneficial to the Group as the funding cost of the Convertible Note to the Group is much lower than the funding costs of the Comparable Transactions. Among those Comparable Transactions, the term and premium of the conversion price over the share price of the convertible bond issued by Agile Property Holdings Limited as announced on 7 April 2011 were close to those of the Convertible Note and the volatility of the share price of Agile Property Holdings Limited is also comparable to the price volatility of the Shares. Same as the Group, Agile Property Holdings Limited is also principally engaged in real estate development in the PRC. Accordingly, it would be particularly meaningful to compare the issue of the Convertible Note with the convertible bond issue of Agile Property Holdings Limited. The issuing yield to maturity of the Convertible Note is only half of that of Agile Property Holdings Limited's convertible bonds.

Interest and redemption premium are two elements of the cost of a debt. Issuing yield to maturity of a debt represents the overall cost of the debt based on interest rate, redemption price of the debt and their payment dates. For the purpose of considering the interest rate and the redemption price of the Convertible Note, we have reviewed the issuing yield to maturity of the Group's other debts and the issuing yield to maturity of the Comparable Transactions as set out in the above table. We note that the issuing yield to maturity of the Convertible Note (i) is lower than the interest rates of the Group's most other debts; and (ii) falls at the low end of the range of the issuing yield to maturity of the Comparable Transactions (excluding the outliers).

As at the Latest Practicable Date, the dividend yield of the Company is 4.4547% (source: Infocast). Dividend yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. Dividend yield is commonly used to measure the cost of equity capital of a company. The issuing yield to maturity of the Convertible Note is lower than the current dividend yield of the Shares (representing its cost of equity capital).

Given that the issuing yield to maturity of the Convertible Note (i) is lower than the interest rates of the Group's most other debts; (ii) falls at the low end of the range of the issuing yield to maturity of the Comparable Transactions and at the lower end of the range; and (iii) is lower than the current dividend yield of the Shares, we consider that the issue of the Convertible Note represents a less costly financing option as compared with other possible debt and equity financing alternatives.

There was a portion of the Group's borrowings of HK$1.3 billion as at 31 December 2010 denominated in HK$ which bear lower interest rates than the issuing yield of maturity of the Convertible Note. If the Group can raise the same principal amount as the Convertible Note through further HK$ borrowings at such interest rates, the Group's interest expenses can be further reduced. However, it would be difficult for the Group to raise any further significant amount from banks in Hong Kong at such comparative rates as most of the Group's assets are situated in the PRC and it would be difficult for the Group to arrange other significant assets to be pledged for additional borrowings in Hong Kong.

In view of the above, we consider that the issue price, the interest rate and the redemption price are favourable to the Company and the Independent Shareholders.

Maturity/Early redemption

The Convertible Note matures in five years and the Company is only obliged to redeem the outstanding amount of the Convertible Note on the maturity date. Among the Comparable Transactions, the maturity of the Convertible Note is relatively long and the Convertible Note is not redeemable before maturity date at the option of the holder. There is no short-term material cash outflow impact on the Group as a result of repayment of the principal amount of the Convertible Note.

The Company has a right to redeem the Convertible Note at 100% of the principal amount after the first anniversary of its issuance. We consider that the redemption option allows the Company to redeem the Convertible Note if the environment is appropriate, i.e. interest rate is low and cash is available. We consider that the term is beneficial to the Company.

Lock-up undertaking

The Subscriber has irrevocably undertaken to the Company that during the 24-month period commencing from the Completion Date, the Subscriber shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior consent of the Company:

(i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Locked-up Conversion Shares;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Locked-up Conversion Shares, whether any of the foregoing transactions is to be settled by delivery of the Locked-up Conversion Shares or such other securities, in cash or otherwise;

(iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or

(iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

We consider that a lock-up arrangement demonstrates the support of the Subscriber to the Group and is favourable to the other Shareholders.

Financial effects of the Convertible Note Subscription

Net Asset Value

According to the 2010 Annual Report, the net asset value of the Group as at 31 December 2010 was HK$11.3 billion and the net asset value of the Group per Share as at 31 December 2010 was HK$2.371. We understand from the Company that, based on the valuation reports as at 31 March 2011 issued by Jones Lang LaSalle Sallmanns Limited and DTZ Debenham Tie Leung Limited set out in Appendices II and III respectively to the Circular, the Group's property interests have a revaluation surplus over the carrying value of the Group's property interests as at 31 December 2010. The net asset value of the Group per Share will increase if any revaluation surplus of the Group's property interests is taken up in the Group's consolidated statement of financial position. Under the accounting policies of the Group, only the revaluation difference in respect of hotel properties and investment properties will be taken up in the Group's consolidated statement of financial position, and no revaluation is required in respect of other property interests. Accordingly, the Company is of the view that it may not be appropriate to quantify the revaluation surplus of all the Group's property interests and reflect such revaluation surplus on a pro forma basis for the purpose of the Circular and of analysing the terms of the Convertible Note. We agree with the Company's view in particular given that any revaluation of property interests will be made independent of the issue of the Convertible Note. We consider that trading share price is a more relevant factor in reviewing the terms of the Convertible Note and the net asset value of the Group per Share (as adjusted for any revaluation surplus of the Group's property interests) is not a major factor in considering the fairness and reasonableness of the terms of the Convertible Note.

We understand from the Company that under Hong Kong Financial Reporting Standards the Convertible Note will not comprise an equity component and the whole amount will be classified as a liability of the Group consisting of a derivative component and a liability component. At initial recognition, the derivative component of the Convertible Note will be measured at fair value and presented as a derivative financial instrument on the Group's statement of financial position. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the Convertible Note will be allocated to the liability and derivative components in proportion to their respective amounts recognised. The portion of the transaction costs relating to the liability component will be included in the carrying amount of the liability component. The portion relating to the derivative component will be recognised immediately as expenses. At the end of each reporting period the fair value of the derivative component will be revalued based on fair value. Any gain or loss on revaluation will be recognised immediately as income or expenses.

On the other hand, the net proceeds from the issue of the Convertible Note will increase the Group's total assets. Accordingly, there will not be any material effect on the Group's net assets upon the issue of the Convertible Note as the total assets and the total liabilities of the Group will both be increased by approximately the same amount save for any transaction costs expensed in the statement of comprehensive income.

As set out in the section "Reasons for and benefits of the Convertible Note Subscription", one of the purposes of issuing the Convertible Note is to retire the Outstanding Convertible Bonds. Upon redemption of the Outstanding Convertible Bonds and assuming full conversion of the Convertible Note, there will be a decrease in the total liabilities and an increase in the total equity and therefore the net asset value of the Group. Assuming full conversion of the Outstanding Convertible Bonds at its current conversion price of HK$0.992 per Share, approximately 511.1 million Shares will be issued and there will be a decrease in the net asset value of the Group per Share. For the Convertible Note, the initial Conversion Price is HK$1.00 per Share and 550 million Shares will be issued assuming full conversion of the Convertible Note at this Conversion Price . There will be no significant different between the effect on the net asset value of the Group per Share due to the full conversion of the Outstanding Convertible Bonds and the full conversion of the Convertible Note.

Earnings

As set out above, at initial recognition, the portion of the transaction costs relating to the derivative component will be recognised immediately as expenses. Any gain or loss on subsequent revaluation of the derivative component to fair value at the end of each reporting period will be recognised immediately as income or expenses.

The liability component of the Convertible Note will be carried at amortised cost using the effective interest method in subsequent periods. The effective interest expenses of the Convertible Note will be charged to the consolidated statement of comprehensive income subsequent to the completion of issue of the Convertible Note. The effective interest expenses of the Convertible Note will continuously be incurred by the Group until conversion and/or redemption of the Convertible Note in full.

Although the carrying interest of the Convertible Note and any loss on subsequent revaluation of the derivative component to fair value will create negative impact on the future accounting books earnings of the Group, the issue of the Convertible Note is considered necessary in order to allow the Group to repay the Outstanding Convertible Bonds and/or other part of the Group's existing interest-bearing bank and other borrowings discussed above which bear higher interest rates.

Net proceeds from the issue of the Convertible Note may be used to redeem or repurchase the Outstanding Convertible Bonds. We understand from the Company that it will only consider repurchasing any Outstanding Convertible Bonds when the market interest rate is favourable. We understand from the Company that, when the Outstanding Convertible Bonds are redeemed before final maturity, the redemption cost (i.e. the principal amount together with the accrued and unpaid interest) payable by the Group is accounted for in the consolidated financial statements as follows:

- the "Convertible bonds-host debts" will be reduced by an amount equal to the carrying value of the Outstanding Convertible Bonds (not including the equity component);
- the "Other reserve – Equity component of convertible bonds" will be reduced by an amount equal to the difference between the redemption cost and the fair value of the liability component of the Outstanding Convertible Bonds; and
- a loss on early redemption equal to the difference between the fair value of the liability component of the Outstanding Convertible Bonds and the carrying value of the Outstanding Convertible Bonds (not including the equity component) will be recognised in the consolidated statement of comprehensive income (when the market interest rate at the time of redemption is lower than the market interest rate at initial recognition).

The Company has informed us that the loss, if any, on early redemption of the Outstanding Convertible Bonds is an one-off accounting adjustment and is not related to the Group's business operation.

Working capital

According to the 2010 Annual Report, the Group had cash and bank balances of approximately HK$5.4 billion as at 31 December 2010. Immediately upon issue of the Convertible Note, the Company would raise net proceeds of approximately HK$546 million and the derivative and liability portions of the Convertible Note will be treated as non-current liability of the Group. Accordingly, the liquidity and working capital position of the Group will be improved immediately upon issue of the Convertible Note.

Gearing

According to the 2010 Annual Report, the gearing ratio as at 31 December 2010 was 40%, calculated on the basis of the net borrowings (after deducting cash and bank balance) over total capital (total equity and net borrowings). Upon completion of the Convertible Note Subscription but before full conversion of the Convertible Note, assuming the portion of the transaction costs relating to the derivative component is not significant, the total cash and bank balances and the total liabilities of the Group would be both increased at substantially the same amount. Accordingly, there will not be any material effect on the Group's net borrowings and therefore the Group's gearing ratio. If the Convertible Note were converted in full, the gearing ratio would reduce to 37.1%.

Upon repurchase or redemption of the Outstanding Convertible Bonds (comprising equity and liability components for accounting purposes), the total capital would remain the same and the net borrowings would increase. Accordingly, the Group's gearing ratio would increase upon repurchase or redemption of the Outstanding Convertible Bonds. For illustration purposes, assuming the fair value of the liability component of the Outstanding Convertible Bonds at the time of repurchase or redemption is equal to the fair value of the liability component of the Outstanding Convertible Bonds as at 31 December 2010, i.e. HK$443.7 million as disclosed in the 2010 Annual Report, the Group's gearing ratio would slightly increase from 40% to approximately 40.9% upon repurchase or redemption of all the Outstanding Convertible Bonds (before conversion of the Convertible Note).

Immediately upon full conversion of the Convertible Note, the Group's net assets will be increased as a result of the issue of the Conversion Shares and the Group's liabilities will be reduced as a result of the extinguishment of the derivative and liability components of the Convertible Note. Thus, the Group's gearing level will be improved upon full conversion of the Convertible Note as shown above.

Based on the above, the Convertible Note Subscription would have an overall positive effect on the Group's financial position upon completion of the Convertible Note Subscription. We consider that the Convertible Note Subscription is in the interests of the Company and the Shareholders as a whole.

Effect on the shareholding structure of the Company

The issue of the Convertible Note is not offered to all existing Shareholders. If the Convertible Note was to be offered to all existing Shareholders, it would have to be offered by way of an open offer. However, it is a general market expectation that rights issues and open offers should be carried out at a discount to trading prices. During the last twelve months prior to the date of the Convertible Note Subscription Agreement, we note that the share prices of the rights issues and open offers announced by Main Board listed companies (excluding companies under debt restructuring or companies listed as investment companies under the Listing Rules) ranged from a discount of 12.28% to 94.55% to the closing price of the relevant announcements. It is not generally expected that any pre-emptive issue to all shareholders at a price representing a premium over trading prices would be attractive. Accordingly, an offer of the Convertible Note to the Shareholders by way of an open offer would unlikely be considered favourable by the Shareholders in view of the premium of the Conversion Price over the recent trading prices.

In addition, the Convertible Note will not be quoted on any open market. This restricts future trading liquidity of the Convertible Note and will not be considered favourable to retail investors. We note that in the last twelve months prior to the date of the Convertible Note Subscription Agreement, there were 61 rights issues and open offers, only one Main Board listed company, Goldin Properties Holdings Limited, announced an open offer of convertible bonds on 15 October 2010. Such convertible bonds are unlisted and have a term of 3 years with both interest rate and issuing yield to maturity of 8% per annum. The conversion price represents a premium of approximately 2.6% over the closing price immediately prior to the announcement. Excluding the part taken up by the underwriter, the acceptance rate of such open offer of the convertible bonds was only 2.8%. It is not common to offer convertible note to all shareholders through rights issue or open offer.

Furthermore, the Company would have to incur additional expenses if an open offer was to be carried out including underwriting commissions, as a typical open offer would have to be fully underwritten.

Reference is made to the shareholding structure of the Company as set out in the section headed "Effect of the Convertible Note Subscription" in the Letter from the Board. Upon completion of the Convertible Note Subscription and full conversion of the Convertible Note, the shareholding of the existing public Shareholders will be diluted from approximately 54.24% to approximately 48.09%.

Having considered (i) the fairness and reasonableness of the terms of the Convertible Note; (ii) the issuance of the Convertible Note will strengthen the Group's cash position; (iii) the likely higher cost for the Group in obtaining further bank and other borrowings; and (iv) that it would likely be considered unattractive to offer the Convertible Note to all Shareholders as the Convertible Note will not be listed and the Conversion Price represents a significant premium to the recent market price of the Shares, we consider that the dilution effects on shareholdings of the Company upon completion of the Convertible Note Subscription is acceptable, and fair and reasonable.

Whitewash Waiver

The shareholding of the Subscriber and the persons acting in concert with it in the Company will increase from approximately 45.76% to approximately 51.91% immediately following the full conversion of the Convertible Note (if issued). Under Rule 26 of the Takeovers Code, if the Subscriber acquires Conversion Shares such that the aggregate interests of the Subscriber and persons acting in concert with it in the voting rights in the Company increase by more than 2% from their lowest collective holding of voting rights in the Company in the 12-month period immediately prior to the acquisition, the Subscriber and persons acting in concert with it will be obliged to make a general offer unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders by way of a poll. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver and the Executive has indicated that it will grant the Whitewash Waiver, subject to, among others, the approval of the Independent Shareholders on a vote by poll at the SGM.

The Convertible Note Subscription is conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM. If the Whitewash Waiver is not approved, the Convertible Note Subscription will not proceed and no general offer obligation will be triggered since no Conversion Shares will need to be issued. In view of the benefits of the Convertible Note Subscription and the Group's likely cost on other financing options given the current weighted average effective interest rates of the Group's bank and other borrowings and the knowledge of the management of the Company on the increasing interest rate trend, we consider that the dilution to the Shareholders, other than the Subscriber and the persons acting in concert with it, as a result of the Convertible Note Subscription and full conversion of the Convertible Note acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, in particular,

(i) the background and reasons for the issuance of the Convertible Note;

(ii) the Conversion Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned;

(iii) the issue price, the interest rate and the redemption price are favourable to the Company and the Independent Shareholders as a whole;

(iv) the overall financial effects of the issuance of the Convertible Note are favourable to the Company and the Independent Shareholders as a whole;

(v) the dilution effects on shareholdings of the Company upon completion of the Convertible Note Subscription is acceptable, and fair and reasonable; and

(vi) the approval and grant of the Whitewash Waiver are conditions precedent, among others, of the completion of the Convertible Note Subscription,

we consider that the terms of the Convertible Note Subscription Agreement and the Convertible Note Subscription are fair and reasonable and the Convertible Note Subscription is on normal commercial terms, incidental to the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. On the basis that the grant of the Whitewash Waiver is an unwaivable condition of the Convertible Note Subscription Agreement, we also consider that the grant of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Subscription IBC to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder. We also advise the Whitewash IBC to recommend the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
OSK Capital Hong Kong Limited
Allen Tze
Director

1. FINANCIAL SUMMARY

The following information is extracted from the audited consolidated financial statements of the Group for the three years ended 31 December 2008, 2009 and 2010:

	For the year ended 31 December		
	2010	**2009**	**2008**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Revenue	6,288,774	2,830,596	3,739,865
Cost of Sales	(3,749,581)	(1,593,931)	(2,844,987)
Gross Profit	2,539,193	1,236,665	894,878
Other (losses)/gains – net	(166,993)	1,087,899	1,411,217
Selling and marketing costs	(169,542)	(198,916)	(75,685)
Administrative expenses	(455,916)	(345,047)	(251,350)
Operating profit	1,746,742	1,780,601	1,979,060
Finance income	71,317	16,884	152,521
Finance costs	(312,946)	(179,114)	(11,063)
Finance costs – net	(241,629)	(162,230)	141,458
Share of profits and losses of associates	25,459	(93,927)	(443,186)
Profit before tax	1,530,572	1,524,444	1,677,332
Income tax expense	(815,083)	(506,662)	(893,471)
Profit for the year	715,489	1,017,782	783,861
Profit attributable to:			
The Shareholders	629,652	785,081	247,936
Non-controlling interests	85,837	232,701	535,925
	715,489	1,017,782	783,861

	For the year ended 31 December		
	2010	2009	2008
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Earnings per share attributable to the Shareholders			
– Basic	17.47 cents	24.47 cents	8.91 cents
– Diluted	16.79 cents	23.70 cents	8.64 cents
Dividends proposed	104,513	158,571	–
Dividends proposed per Share	2.9 cents	4.4 cents	–
Total assets	40,742,006	34,674,102	21,307,129
Total liabilities	29,414,845	23,366,422	13,433,768
Net assets	11,327,161	11,307,680	7,873,361
Cash and bank balance	5,402,966	4,602,822	1,575,476
Equity attributable to the Shareholders	8,544,783	8,191,741	6,472,585

Notes:

1. The audited consolidated financial statements of the Group for the three years ended 31 December 2008, 2009 and 2010 (the "Audited Financial Statements") were audited by Ernst & Young, Certified Public Accountants. No qualified opinion had been issued by Ernst & Young in respect of the aforementioned audited consolidated financial statements of the Group.

2. According to the Audited Financial Statements, no exceptional items because of size, nature or incidence were recorded by the Group for each of the three years ended 31 December 2008, 2009 and 2010.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2010

The following information is extracted from the audited consolidated financial statements of the Group as set out in the 2010 Annual Report:

"Consolidated Statement of Comprehensive Income
Year ended 31 December 2010
(Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	**2010**	**2009**
Revenue	*5*	6,288,774	2,830,596
Cost of sales	*7*	(3,749,581)	(1,593,931)
Gross profit		2,539,193	1,236,665
Other (losses)/gains – net	*6*	(166,993)	1,087,899
Selling and marketing costs	*7*	(169,542)	(198,916)
Administrative expenses	*7*	(455,916)	(345,047)
Operating profit		1,746,742	1,780,601
Finance income	*8*	71,317	16,884
Finance costs	*9*	(312,946)	(179,114)
Finance costs – net		(241,629)	(162,230)
Share of profits and losses of associates		25,459	(93,927)
Profit before tax		1,530,572	1,524,444
Income tax expense	*12*	(815,083)	(506,662)
Profit for the year		715,489	1,017,782
Other comprehensive income			
Exchange differences on translation of financial statements into presentation currency		383,775	15,786
Other comprehensive income for the year, net of tax		383,775	15,786
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,099,264	1,033,568

	Notes	**2010**	**2009**
Profit attributable to:			
Owners of the parent		629,652	785,081
Non-controlling interests		85,837	232,701
		715,489	1,017,782
Total comprehensive income attributable to:			
Owners of the parent	*13*	915,133	797,350
Non-controlling interests		184,131	236,218
		1,099,264	1,033,568
Earnings per share attributable to ordinary equity holders of the parent	*15*		
– Basic		17.47 cents	24.47 cents
– Diluted		16.79 cents	23.70 cents

Details of the dividends paid and proposed for the year are disclosed in Note 14 to the financial statements.

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

Statements of Financial Position
31 December 2010
(Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

		Group		Company	
	Notes	**2010**	**2009**	**2010**	**2009**
ASSETS					
Non-current assets					
Property, plant and equipment	*16*	2,627,299	2,684,121	2,712	3,229
Completed investment properties	*17*	6,624,338	6,329,400	–	–
Investment properties under construction	*17*	111,646	193,879	–	–
Prepaid land lease payments	*18*	399,796	565,492	–	–
Goodwill	*19*	671,979	453,788	–	–
Investments in subsidiaries	*20(a)*	–	–	5,148,045	4,433,839
Advances to subsidiaries	*20(b)*	–	–	2,153,125	1,346,117
Investments in associates	*21(a)*	72,182	87,807	–	–
Derivative financial asset	*36*	55,894	–	–	–
Deferred tax assets	*34*	432,186	177,588	–	–
Non-current accounts receivable	*27*	109,598	106,365	–	–
Other non-current assets	*22*	57,974	362,935	–	279,485
		11,162,892	10,961,375	7,303,882	6,062,670
Current assets					
Prepaid land lease payments	*18*	11,017,446	7,954,454	–	–
Properties held or under development for sale	*23*	6,124,508	4,705,378	–	–
Land development for sale	*24*	4,416,924	4,353,169	–	–
Inventories		29,759	19,852	–	–
Dividends receivable from subsidiaries		–	–	886,004	727,651
Amounts due from associates	*21(b)*	8,113	1,825	–	–
Prepayments and other current assets	*25*	671,331	261,014	3,117	51,506
Other receivables	*26*	1,186,348	1,329,071	–	86
Accounts receivable	*27*	607,865	401,322	–	–
Prepaid income tax		113,854	83,820	–	–
Cash and bank balances	*28*	5,402,966	4,602,822	158,162	84,821
		29,579,114	23,712,727	1,047,283	864,064
Total assets		40,742,006	34,674,102	8,351,165	6,926,734

		Group		Company	
	Notes	**2010**	**2009**	**2010**	**2009**
EQUITY AND LIABILITIES					
EQUITY					
Issued capital and premium	*29*	4,736,489	4,736,489	4,736,489	4,736,489
Other reserves	*30*	1,142,493	1,221,202	909,129	714,834
Retained profits	*30*	2,665,801	2,234,050	124,762	246,098
Equity attributable to owners of the parent		8,544,783	8,191,741	5,770,380	5,697,421
Non-controlling interests		2,782,378	3,115,939	–	–
Total equity		11,327,161	11,307,680	5,770,380	5,697,421
LIABILITIES					
Non-current liabilities					
Interest-bearing bank and other borrowings	*31*	8,863,028	5,942,549	171,548	293,366
Convertible bonds-host debts	*35*	354,548	312,219	354,548	312,219
Guaranteed senior notes	*32*	557,322	552,463	557,322	552,463
Deferred income from sale of golf club membership	*33*	632,478	639,041	–	–
Deferred tax liabilities	*34*	2,076,251	1,638,787	–	–
		12,483,627	9,085,059	1,083,418	1,158,048
Current liabilities					
Interest-bearing bank and other borrowings	*31*	3,169,554	1,589,958	980,454	45,950
Advances received from the pre-sale of properties under development	*37*	4,546,137	4,943,649	–	–
Accounts payable	*38*	3,358,631	3,176,373	–	–
Other payables and accruals	*39*	2,421,148	2,339,360	516,913	25,315
Current income tax liabilities		2,323,911	1,428,561	–	–
Guaranteed senior notes, current portion	*32*	–	95,813	–	–
Deferred income arising from land development	*33*	1,111,837	696,291	–	–
Amounts due to associates	*40*	–	11,358	–	–
		16,931,218	14,281,363	1,497,367	71,265

		Group		Company	
	Notes	**2010**	**2009**	**2010**	**2009**
Total liabilities		29,414,845	23,366,422	2,580,785	1,229,313
Total equity and liabilities		40,742,006	34,674,102	8,351,165	6,926,734
Net current assets/(liabilities)		12,647,896	9,431,364	(450,084)	792,799
Total assets less current liabilities		23,810,788	20,392,739	6,853,798	6,855,469

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

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 *(Note 29)*	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	–	–	–	–	–	–	–	–	–	(43,514)	(43,514)
At 31 December 2010	4,736,489	2,268*	248*	259,266*	1,019,873*	(318,523)*	179,361*	2,665,801	8,544,783	2,782,378	11,327,161
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	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

* 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.

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

Consolidated Statement of Cash Flows
Year ended 31 December 2010
(Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	**2010**	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	*41*	(1,350,070)	3,112,001
Interest paid		(668,171)	(471,367)
Income tax paid		(150,535)	(288,897)
Net cash flows (used in)/from operating activities		(2,168,776)	2,351,737
CASH FLOWS FROM INVESTING ACTIVITIES			
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	*44*	(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
Net cash flows used in investing activities		(464,619)	(542,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
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		(32,046)	–
Amounts received from sale of treasury shares of a subsidiary		30,676	–
Capital divestment of non-controlling shareholders of subsidiaries		–	(227)
Acquisition of non-controlling interest and related derivative financial asset		(662,698)	–
Cash paid by a subsidiary to purchase its own shares		–	(42,153)
(Increase)/decrease in pledged bank deposits		(971,369)	55,134
Decrease/(increase) in restricted deposits in relation to interest payments for bank borrowings		7,390	(40,894)
Proceeds from short-term borrowings		329,885	–

	Notes	**2010**	**2009**
Repayments of short-term borrowings		(90,857)	(453,566)
Proceeds from long-term borrowings		8,008,926	5,366,301
Repayments of long-term borrowings		(4,215,693)	(3,563,036)
Cash received from the capital injection from non-controlling shareholders of subsidiaries		154,456	–
Net cash paid on redemption of guaranteed senior notes		(103,734)	(817,715)
Dividends paid to non-controlling shareholders of subsidiaries		(44,664)	(21,798)
Dividends paid to the Company's shareholders	*14*	(158,571)	–
Net cash flows from financing activities		2,251,701	1,447,458
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(381,694)	3,256,903
Cash and cash equivalents at beginning of year		4,134,112	873,523
Effect of foreign exchange rate changes, net		134,886	3,686
CASH AND CASH EQUIVALENTS AT END OF YEAR	*28*	3,887,304	4,134,112

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

Notes to Financial Statements

31 December 2010

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

1. CORPORATE INFORMATION

SRE Group Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on the Hong Kong Exchange and Clearing Limited ("HKEx"), the Company became the ultimate holding company of the other companies comprising the Group on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company were listed on the HKEx on 10 December 1999. The principal place of business of the Company is located at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") were mainly engaged in real estate development, large-scale new towns planning and development, property leasing and hotel operations in Mainland China during the year.

2.1 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 completed investment properties, investment properties under construction 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.

In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity, its ability to maintain adequate cash inflow from operations and financing to meet its financial obligations as and when they fall due, and believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences, recorded in equity; and recognise (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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 these 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:

Group and Company	31 December 2010	31 December 2009
NON-CURRENT LIABILITIES:		
Increase in convertible bonds-host debts	354,548	312,219
CURRENT LIABILITIES:		
Decrease in convertible bonds-host debts	(354,548)	(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 (see Note 35) was issued during the year of 2009.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter [2]
HKFRS 1 Amendments	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of financial Assets [4]
HKFRS 9	Financial Instruments[6]
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures [3]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement [3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010

[2] Effective for annual periods beginning on or after 1 July 2010

[3] Effective for annual periods beginning on or after 1 January 2011

[4] Effective for annual periods beginning on or after 1 July 2011

[5] Effective for annual periods beginning on or after 1 January 2012

[6] Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 Amendment relieves first-time adopters of HKFRSs from providing the additional disclosures introduced in March 2009 by Improving Disclosures about Financial Instruments (Amendments to HKFRS 7). It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to HKFRS 7 provide to current HKFRS preparers. The amendment would not have significant impact on the Group's financial statements.

In December 2010, the HKICPA issued another amendment to HKFRS 1 to introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation. It also removes the legacy fixed dates in HKFRS 1 relating to derecognition and day one gain or loss transactions. The amendment would not have significant impact on the Group's financial statements.

HKFRS 7 Amendments were issued in October 2010. The amendments require more disclosure information that enables users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Currently, the amendments would not have significant financial impact on the Group's financial statements.

HKFRS 9 as issued reflects the first phase of the project on the replacement of HKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in HKAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases of the project, hedge accounting and impairment will be addressed. The completion of this project is expected in 2011. The Group expects to adopt the standard when it becomes effective. The Group will quantify the effect of adoption of the first phase of HKFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

HKAS 12 Amendments were issued in December 2010. The amendments mainly concern the determination of deferred tax on investment property measured using the fair value model in HKAS 40 Investment Property. The amendments are expected to have no impact on the financial statements of the Group.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The revised standard also provides some relief for government-related entities to disclose details of all transactions with other government-related entities (as well as with the government itself). The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the amendment is expected to have no impact on the financial statements of the Group.

The HKAS 32 Amendment was issued in October 2009. The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. The amendment is expected to have no impact on the financial statements of the Group.

HK(IFRIC)-Int 14 Amendments were issued in December 2009. The amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in the future contributions is thus equal to the sum of (i) the prepayment of future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The amendments are expected to have no impact on the financial statements of the Group.

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 Financial Instruments: Recognition and Measurement and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognized in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. The interpretation is expected to have no impact on the financial statements of the Group.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. The amendments are expected to have no impact on the financial statements of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties held or under development for sale, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Hotel buildings	Shorter of 40 years and the remaining terms of the leases, which range from 30 to 40 years
Other buildings	20 years
Golf operational assets	Golf course between 40 and 50 years, club buildings of 30 years, club equipment of 10 years, club fixtures and fittings of 5 years
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Furniture, fitting, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met and it is accounted for as a finance lease. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of the retirement or disposal.

Investment properties under construction are stated at fair value with changes in fair values recognised in profit or loss.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of comprehensive income.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other gains in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables or available-for-sale financial assets depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognised in profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in other gains, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in other gains and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in profit or loss in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial investments whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management’s intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other gains in the statement of comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to associates, derivative financial instruments, interest-bearing bank loans and other borrowings, guaranteed senior notes, and convertible bonds.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The net fair value gain or loss recognised in the statement of comprehensive income does not include any interest charged on these financial liabilities.

Convertible bonds

For convertible bonds which comprise both liability and equity components under HKAS 32, on issuance of convertible bonds, the fair value of the liability component (including host debt and, if any, embedded derivatives other than the equity component) is determined using a market rate for an equivalent non-convertible bond; and the host debt is carried as a liability at amortised cost, and the embedded derivatives that need to be separated from the host debt, if any, are carried as derivative financial liabilities at fair value, until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Where the convertible bonds contain only liability and derivative components, if the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its host debt component. On initial recognition, the derivative component (including all embedded derivatives that should be separated from the host debt) of the convertible bonds is measured at fair value and presented as part of derivative financial liabilities. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host debt component (also as a liability). Transaction costs are apportioned between the host debt and derivative component of the convertible bonds based on the allocation of proceeds to the host debt and derivative component when the instruments are initially recognised. The portion of the transaction costs relating to the host debt is recognised initially as part of the host debt liability. The portion relating to the derivative component is recognised immediately in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(a) Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

(c) Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties held or under development for sale comprise specifically identified cost, including acquisition costs, development expenditures and borrowing costs and other related expenditure directly attributable to the development of such properties. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of construction and other costs directly attributable to such land development for sale.

Land development for sale is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land development for sale based on prevailing market conditions.

Inventories

Inventories mainly comprise food, beverages, operating supplies and low value consumables used in hotel and golf course operations, and are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets with similar nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

Sale of development properties

Revenue from the sale of properties is recognised upon completion of a sale agreement, which refers to the time when properties are completed and delivered to the buyers. Deposits and installments received on properties sold prior to completion of the respective sale agreements are included as advances received from the pre-sale of properties under development.

Revenue from land development

The Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) within certain districts. When the land plots are sold by the local governments to land buyers through public auction, tender or listing, the Group is entitled to receive from the local governments a proportion of the proceeds from land sales (including related public utilities fees, if any). As ancillary public facilities are separately identifiable from land infrastructure, such proceeds to be received by the Group are allocated between land infrastructure and ancillary public facilities based on their relative fair values.

Revenue from land development is recognised upon the transfer of risks and rewards in connection with the land development and when the amount of revenue can be measured reliably, which occurs upon the completion of related construction works as well as sales of land. Accordingly, at the time of the sales of land, proceeds allocated to the completed land infrastructure and completed ancillary public facilities are recognised as revenue, and proceeds allocated to uncompleted construction works are deferred and recognised as revenue when the related construction works are completed.

Golf course operations

Revenue from golf course operations represents the income from the usage of golf courses and ancillary equipment, the provision of golf services, and the provision of food and beverages, etc., which is recognised when the services are rendered or goods are sold.

Golf club membership revenue

Golf club membership entitles the members to golf operations related services provided during the membership period or to purchase goods or services at prices lower than those charged to non-members. Revenue from golf club membership is recognised on the straight-line basis which reflects the expected period when the benefits are provided.

Property leasing under operating lease

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when at the inception of the lease, it is reasonably certain that the lessee will exercise the option.

Sale of network equipment

Revenue from the sale of network equipment is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed. The Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Construction of infrastructure for an intelligent network and installation of an intelligent network

Revenue from the construction of infrastructure for an intelligent network and installation of intelligent network is recognised as follows:

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered.

Property management revenue

Property management revenue is recognised in the accounting period in which the services are rendered.

Hotel operations

Revenue from hotel operations represents the income from hotel rooms and the sale of related food and beverages, which is recognised when the services are rendered or goods are sold.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established.

Share-based payment transactions

A subsidiary of the Company, China New Town Development Company Limited ("CNTD") operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the CNTD Group's operations. Employees (including senior executives) of CNTD receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by the Group with assistance from the valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, where appropriate.

Other employee benefits

Employee retirement scheme

The employees of the Group's entities which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute 14% to 22% (2009: 19% to 22%) of the standard salary announced by the government to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme. In addition, the Group participates in the Mandatory Provident Fund Scheme, under which contributions of 5% of the Hong Kong employee's basic salaries are made by the employer and the Hong Kong employees, respectively. The provision and contributions have been included in the statement of comprehensive income upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate has been applied to the expenditure on the individual assets.

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is deducted from the relevant asset before arriving at the carrying amount of the asset and released to the statement of comprehensive income by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facilities services.

Dividends

When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

(a) Functional and presentation currencies

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's and its subsidiaries' functional currency is Renminbi ("RMB"), as the major revenues are derived from operations in Mainland China. Considering the Company is listed on the HKEx, Hong Kong dollars ("HK$") is chosen as the presentation currency to present these financial statements.

(b) Transactions and balances

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities of the Group are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period;

(ii) income and expenses of the Group are translated into the presentation currency at the average exchange rates for the period (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated into the presentation currency at the exchange rate ruling at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of which arise throughout the year are translated into the presentation currency at the weighted average exchange rates for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, if any, and all monetary items that provide an effective hedge for such investments, if any, are recognised in other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation, if any, are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities (except for contingent liability recognised in a business combination) and assets are not recognised on the statement of financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was HK$672 million (2009: HK$454 million). More details are given in Note 19.

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period during the years ended 31 December 2010 and 31 December 2009 using the discounted cash flow method or term and reversion method on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Investment properties under construction are also carried at fair value as determined by independent professional qualified valuers, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost. The fair value of investment properties under construction is determined using either the discounted cash flow method or the residual method.

Carrying amount of land development for sale

The Group's land development for sale is stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land infrastructure and attributable to ancillary public facilities and infrastructure, and its net realisable value, i.e., the revenue to be derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land development for sale based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land development for sale over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land development for sale in the periods in which such estimate is changed will be adjusted accordingly.

Deferred tax assets, liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective group entity's domicile.

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed.

Impairment of receivables

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the receivables and impairment of receivables/ reversal of impairment in the period in which such estimate has been changed.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Such estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in Note 2.4. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and the value in use, where the calculations of which involve the use of estimates.

Measurement of revenue from land development

Revenue from the development of land infrastructure and ancillary public facilities (owned by the local governments) is allocated and recognised separately. The allocation of revenue from the land development to land infrastructure and ancillary public facilities is based on their relative fair values of the construction works, determined by reference to the relative estimated construction costs of each component, as the nature of construction works for the components is similar.

Revenue attributable to land infrastructure is recognised in full upon the sale of the relevant land use rights and the specific construction works are completed. However, revenue attributable to ancillary public facilities is recognised for the portions of ancillary public facilities completed at the sale of the land. The remaining revenue attributable to uncompleted portions of ancillary public facilities is recognised as deferred revenue as a current liability in the statements of financial position, and will be recognised as revenue when the related construction works are completed.

Estimation of fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, separated derivative components of the convertible bonds) is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair values of the convertible bonds (including the values allocated the host debt, conversion options classified either as a financial liability or equity and other derivatives embedded in the convertible bonds that need to be separately accounted for) that need to be accounted for at fair value at initial recognition (or subsequently if there is any embedded derivative that needs to be separately accounted for), cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow method and option price models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as credit risk, market risk and volatility, etc. Changes in assumptions about these factors could affect the reported carrying values of such financial instruments.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets (other than goodwill) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. 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
Segment revenue						
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
	4,360,186	1,587,946	138,524	270,654	236,684	6,593,994
Reconciliation:						
Elimination of intersegment sales						(305,220)
Revenue						6,288,774
Segment profit/(loss)	1,303,814	718,347	(39,043)	(21,651)	(214,725)	1,746,742
Finance income						71,317
Finance costs						(312,946)
Finance costs-net						(241,629)
Share of profits and losses of associates						25,459
Profit before tax						1,530,572
Segment assets and liabilities						
Segment assets	22,031,440	6,686,681	6,967,206	2,025,077	2,959,420	40,669,824
Investments in associates						72,182
Total assets						40,742,006
Segment liabilities	16,595,220	2,582,665	3,307,966	146,400	6,782,594	29,414,845
Total liabilities	16,595,220	2,582,665	3,307,966	146,400	6,782,594	29,414,845
Other segment information:						
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
Segment revenue						
Sales to external customers	1,552,399	910,900	113,320	159,196	94,781	2,830,596
Intersegment sales	–	–	–	–	9,686	9,686
	1,552,399	910,900	113,320	159,196	104,467	2,840,282
Reconciliation:						
Elimination of intersegment sales						(9,686)
Revenue						2,830,596
Segment profit/(loss)	253,150	532,297	628,570	(121,281)	487,865	1,780,601
Finance income						16,884
Finance costs						(179,114)
Finance costs-net						(162,230)
Share of profits and losses of associates						(93,927)
Profit before tax						1,524,444
Segment assets and liabilities						
Segment assets	16,771,222	6,036,235	6,753,736	2,212,531	2,812,571	34,586,295
Investments in associates						87,807
Total assets						34,674,102
Segment liabilities	13,316,164	2,525,710	1,842,959	68,476	5,613,113	23,366,422
Total liabilities	13,316,164	2,525,710	1,842,959	68,476	5,613,113	23,366,422
Other segment information:						
Depreciation and amortisation	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	2,739	–	–	–	(106,765)	(104,026)

* 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
	10,435,058	10,226,680

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.

5. 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 *(Note 17)*	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
	6,665,279	2,992,756
Less: Business tax and surcharges	(376,505)	(162,160)
Total revenue	6,288,774	2,830,596

(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.

6. OTHER (LOSSES)/GAINS – NET

	2010	**2009**
Fair value (loss)/gain on investment properties *(Note 17)*	(137,842)	476,162
Derivative instruments at fair value through profit or loss-fair value loss, net	(6,178)	(89,055)
(Loss)/gain on disposal of property, plant and equipment, net	(20,162)	81
Gain on disposal of subsidiaries	–	43,349
Gain on disposal of an investment property	–	26,397
Gain on bargain purchase of a subsidiary *(Note 44)*	28,940	–
Reversal impairment of an interest in an associate	–	104,403
(Loss)/gain on redemption of guaranteed senior notes *(Note 32)*	(4,798)	179,102
Excess of share of fair value of net assets acquired over consideration for the acquisition of additional interest in an associate	–	300,415
Loss on remeasurement (at acquisition-date fair value) of a previously held equity interest held in an acquiree (CNTD)	–	(184,398)
The Excess of acquisition-date amounts of the net assets acquired over the aggregate of consideration transferred, the amount of non-controlling interest and the acquisition-date fair value of the Group's previously held equity interest in the acquiree (CNTD)	–	236,350
Gain from dilution of equity interest in an associate *(Note21(a)(i))*	375	–
Donation	(22,216)	(14,435)
Others	(5,112)	9,528
	(166,993)	1,087,899

7. EXPENSE BY NATURE

	2010	2009
Cost of inventories sold (excluding depreciation)	3,615,770	1,475,766
Depreciation of property, plant and equipment *(Note 16)*	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
	160,061	139,726
Operating lease payment in respect of buildings	11,625	14,091
Auditors' remuneration	11,582	12,225
Impairment of accounts receivable *(Note 27)*	–	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
	4,375,039	2,137,894

8. FINANCE INCOME

	2010	2009
Interest income on bank deposits	34,295	15,766
Net foreign exchange gain	37,022	1,118
	71,317	16,884

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2010	2009
Interest expense:		
Interest on bank borrowings and other borrowings – wholly repayable within five years	391,730	301,490
Interest on bank borrowings and other borrowings – wholly repayable beyond five years	183,108	56,410
Interest on the guaranteed senior notes – wholly repayable within five years *(Note 32)*	70,589	111,494
Interest on CB3 – wholly repayable within five years *(Note 35)*	–	8,708
Interest on CB4 – wholly repayable within five years *(Note 35)*	61,407	25,392
	706,834	503,494
Less: Interest capitalised	(393,888)	(324,380)
Finance costs	312,946	179,114

During the year ended 31 December 2010, the weighted average interest capitalisation rate was 6.81% (excluding CNTD and its subsidiaries which manage their financing separately from the other entities of the Group) (2009: 7.03%). The weighted average interest capitalisation rate of CNTD during the year ended 31 December 2010 was 6.45% (2009: 9.97%).

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2010			
Name of director	**Salaries**	**Fees**	**Management Grant***	**Total**
Executive directors				
– Mr. Shi Jian	3,000	–	–	3,000
– Mr. Li Yao Min	3,500	–	2,270	5,770
– Mr. Yu Hai Sheng	2,500	–	–	2,500
– Mr. Jiang Xu Dong	2,000	–	–	2,000
– Mr. Shi Pin Ren (appointed in 2010)**	1,164	–	–	1,164
– Mr. Yue Wai Leung	2,440	–	2,270	4,710
Non-executive directors				
– Mr. Cheung Wing Yui	–	360	–	360
– Mr. Jin Bing Rong	–	330	–	330
Independent non-executive directors				
– Mr. E Hock Yap	–	330	–	330
– Mr. Pan Long Qing (resigned in 2010)	–	330	–	330
– Mr. Jiang Xie Fu	–	330	–	330
– Mr. Zhuo Fumin (appointed in 2010)	–	30	–	30
Total	14,604	1,710	4,540	20,854

		2009		
Name of director	**Salaries**	**Fees**	**Management Grant***	**Total**
Executive directors				
– Mr. Shi Jian	1,750	–	–	1,750
– Mr. Li Yao Min	2,125	–	962	3,087
– Mr. Yu Hai Sheng	2,000	–	–	2,000
– Mr. Jiang Xu Dong	2,000	–	–	2,000
– Mr. Yue Wai Leung (appointed in 2009)	1,434	–	962	2,396
– Mr. Lee Wai Man (resigned in 2009)	846	–	–	846
Non-executive directors				
– Mr. Cheung Wing Yui	–	330	–	330
– Mr. Jin Bing Rong	–	330	–	330
Independent non-executive directors				
– Mr. Yeung Kwok Wing (resigned in 2009)	–	69	–	69
– Mr. Pan Long Qing (appointed in 2009)	–	210	–	210
– Mr. E Hock Yap	–	220	–	220
– Mr. Jiang Xie Fu	–	272	–	272
Total	10,155	1,431	1,924	13,510

* On 5 July 2007, the Board of Directors of CNTD passed a resolution to award a total of 380 shares (equivalent to 28,500,000 shares after CNTD's share split) to certain CNTD's directors and employees ("Entitled Persons") as an incentive for their continued service to CNTD. Mr. Li Yao Min and Mr. Yue Wai Leung, who are also directors of CNTD, were each awarded 79 shares (equivalent to 5,925,000 shares after CNTD's share split), respectively. The terms of CNTD's Management Stock Option Plan (the "Management Grant") are detailed in Note 30(a).

The Management Grant is provided on the basis that the relevant Entitled Persons remain in service within the CNTD Group on the vesting dates and he/she has not submitted a notice of resignation at those dates. The exercise price is RMB8 per share (before CNTD's share split). The Management Grant is accounted for as a compensation for services to be provided by the Entitled Persons in the periods of service (the "vesting periods"). Since the shares granted do not vest until the Entitled Persons complete their services in the vesting periods, CNTD will recognise the expenses over the vesting periods.

Share-based payments in the above tables are expenses recognised during the current year and the period from 9 September 2009 to 31 December 2009, during which CNTD was deemed as a subsidiary of the Company.

** Mr. Shi Pin Ren was appointed as Vice President of the Company before his appointment as an executive director. His remuneration for the year was HK$1,867 thousand, (HK$703 thousand before he was appointed as a director and HK$1,164 thousand when he was a director).

No discretionary bonuses, inducement fees, employer's contribution to pension schemes or compensation for loss of office as directors were given to any of the directors during the years ended 31 December 2010 and 2009.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2010 and 2009.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2009: five) directors, details of whose remuneration are set out in Note 10 above. Details of the remuneration of the remaining one non-director (2009: two) highest paid employees for the year are as follows:

	2010	2009
Salaries, housing allowances, other allowances and benefits in kind	2,200	4,616

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2010	2009
Nil-HK$1,000,000	–	–
HK$1,000,001-HK$1,500,000	–	–
HK$1,500,001-HK$2,000,000	–	1
HK$2,000,001-HK$3,000,000	1	1

12. INCOME TAX

	2010	2009
Current taxation		
– Mainland China income tax (a)	719,484	210,417
– Mainland China LAT (c)	277,190	54,947
	996,674	265,364
Deferred taxation *(Note 34)*		
– Mainland China income tax	(275,073)	139,967
– Mainland China LAT	(9,831)	–
– Mainland China withholding tax (d)	103,313	101,331
	(181,591)	241,298
Total tax charge for the year	815,083	506,662

(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.

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate of 25% for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	2010	**2009**
Profit before tax	1,530,572	1,524,444
Tax at the applicable tax rate of 25%	382,643	381,111
Lower tax rates for certain subsidiaries	(402)	(1,605)
Tax effect of results attributable to associates	(6,365)	23,482
Impact of LAT (which is itself classified as part of income tax) as it is deductible for income tax purposes	(66,840)	(13,736)
Income not subject to tax	(11,628)	(140,399)
Tax losses not recognised and expenses not deductible for tax	147,003	83,622
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	103,313	101,331
Tax on gains on disposal of subsidiaries	–	17,909
Mainland China income tax	547,724	451,715
Mainland China LAT (including deferred LAT)	267,359	54,947
Total tax expense for the year at the Group's effective tax rate	815,083	506,662

The share of tax attributable to associates amounting to approximately HK$3.7 million (2009: HK$0.5 million) is included in "share of profits and losses of associates" on the face of the consolidated statement of comprehensive income.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of HK$37,235 thousand (2009: profit HK$240,281 thousand) which has been dealt with in the financial statements of the Company (Note 30(b)).

14. DIVIDENDS PAID AND PROPOSED

	2010	**2009**
Proposed final dividend – HK$0.029 (2009: HK$0.044) per ordinary share	104,513	158,571

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 in these financial statements.

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

15. 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 (Note 35) of the Company and potential ordinary shares of CNTD, including CNTD's Management Grant (Note 30(a)) 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**
Earnings		
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 *(Note 9)*	61,407	25,392
Net effect of dilutive potential ordinary shares of a subsidiary	(5,412)	–
Profit attributable to ordinary equity holders of the parent before the above impact arising from convertible bonds	685,647	810,473

	Number of shares 2010 (Thousand shares)	2009 (Thousand shares)
Shares		
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
	4,083,809	3,419,384

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

Group

2010	Buildings	Golf operational assets	Leasehold improvements	Furniture, fitting, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost							
Beginning of year	1,780,087	708,901	1,704	643,732	102,612	162,141	3,399,177
Acquisition of subsidiaries *(Note 44)*	–	–	–	540	2,742	–	3,282
Additions	8,186	2,506	342	41,123	11,322	33,012	96,491
Transfer	–	14,332	–	–	–	(14,332)	–
Other disposals	(32,197)	(46,933)	–	(3,988)	(6,043)	–	(89,161)
Exchange realignment	61,363	23,956	67	23,274	3,757	6,077	118,494
End of year	1,817,439	702,762	2,113	704,681	114,390	186,898	3,528,283
Accumulated depreciation and impairment							
Beginning of year	384,222	88,034	244	192,143	50,413	–	715,056
Acquisition of subsidiaries *(Note 44)*	–	–	–	237	1,782	–	2,019
Depreciation charge *(Note 7)*	55,228	21,364	82	76,520	15,877	–	169,071
Other disposals	(1,433)	(4,951)	–	(3,185)	(4,149)	–	(13,718)
Exchange realignment	14,624	3,447	10	8,405	2,070	–	28,556
End of year	452,641	107,894	336	274,120	65,993	–	900,984
Net carrying amount							
Balance, end of year	1,364,798	594,868	1,777	430,561	48,397	186,898	2,627,299
Balance, beginning of year	1,395,865	620,867	1,460	451,589	52,199	162,141	2,684,121

	Buildings	Golf operational assets	Leasehold improvements	2009 Furniture, fitting, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost							
Beginning of year	1,083,612	–	2,813	729,815	43,038	–	1,859,278
Acquisition of subsidiaries	917,578	707,989	–	66,516	44,398	197,102	1,933,583
Additions	3,491	269	–	8,580	25,617	(7,511)	30,446
Transfer	116	–	–	–	–	(27,601)	(27,485)
Disposal of subsidiaries	(227,165)	–	–	(160,624)	(6,167)	–	(393,956)
Other disposals	–	–	(1,113)	(1,708)	(4,397)	–	(7,218)
Exchange realignment	2,455	643	4	1,153	123	151	4,529
End of year	1,780,087	708,901	1,704	643,732	102,612	162,141	3,399,177
Accumulated depreciation and impairment							
Beginning of year	60,492	–	1,155	109,741	19,621	–	191,009
Acquisition of subsidiaries	319,413	81,454	–	38,196	25,365	–	464,428
Depreciation charge *(Note 7)*	52,177	6,501	90	66,221	10,871	–	135,860
Disposal of subsidiaries	(48,264)	–	–	(21,134)	(2,292)	–	(71,690)
Other disposals	–	–	(1,002)	(1,133)	(3,212)	–	(5,347)
Exchange realignment	404	79	1	252	60	–	796
End of year	384,222	88,034	244	192,143	50,413	–	715,056
Net carrying amount							
Balance, end of year	1,395,865	620,867	1,460	451,589	52,199	162,141	2,684,121
Balance, beginning of year	1,023,120	–	1,658	620,074	23,417	–	1,668,269

Depreciation expenses of approximately HK$133,811 thousand (2009: approximately HK$118,164 thousand) had been expensed in cost of goods sold, approximately HK$5,650 thousand (2009: approximately HK$2,520 thousand) in selling and marketing costs and approximately HK$ 29,610 thousand (2009: approximately HK$15,176 thousand) in administrative expenses.

As of 31 December 2010, the buildings with a net carrying amount of HK$1,361,346 thousand (2009: HK$ 1,395,865 thousand) were pledged as collateral for the Group's bank loans and facilities (Note 31).

COMPANY

	2010		
	Furniture, fitting, fixtures and office equipment	**Motor vehicles**	**Total**
Cost			
Beginning of year	588	3,284	3,872
Additions	26	–	26
Exchange realignment	21	114	135
End of year	635	3,398	4,033
Accumulated depreciation			
Beginning of year	397	246	643
Depreciation charge	43	598	641
Exchange realignment	14	23	37
End of year	454	867	1,321
Net carrying amount			
Balance, end of year	181	2,531	2,712
Balance, beginning of year	191	3,038	3,229

	2009			
	Leasehold improvements	**Furniture, fitting, fixtures and office equipment**	**Motor vehicles**	**Total**
Cost				
Beginning of year	1,102	649	–	1,751
Additions	–	80	3,281	3,361
Disposals	(1,113)	(132)	–	(1,245)
Exchange realignment	11	(9)	3	5
End of year	–	588	3,284	3,872
Accumulated depreciation				
Beginning of year	951	518	–	1,469
Depreciation charge	–	45	246	291
Disposals	(1,002)	(117)	–	(1,119)
Exchange realignment	51	(49)	–	2
End of year	–	397	246	643
Net carrying amount				
Balance, end of year	–	191	3,038	3,229
Balance, beginning of year	151	131	–	282

17. INVESTMENT PROPERTIES

GROUP

Completed investment properties

	2010	2009
At beginning of year	6,329,400	5,248,073
Transfer from investment properties under construction	199,623	–
Fair value (loss)/gain *(Note 6)*	(135,864)	476,754
Addition in cost	9,292	53,772
Disposal	–	(7,647)
Acquisition of a subsidiary	–	549,189
Exchange realignment	221,887	9,259
At end of year	6,624,338	6,329,400

Investment properties under construction

	2010	2009
At beginning of year	193,879	–
Acquisition of a subsidiary	–	126,914
Additions	114,658	67,389
Transfers to completed investment properties	(199,623)	–
Fair value loss *(Note 6)*	(1,978)	(592)
Exchange realignment	4,710	168
At end of year	111,646	193,879

The completed investment properties as at 31 December 2010 mainly represent the properties as follows:

A 3-storey shopping mall at Luwan District, Shanghai, with a fair value of approximately HK$1,236 million. The periods of operating leases entered into for the shopping mall range from 2 to 6 years.

Portions of 8 blocks of multi-storey shopping and office buildings at Putuo District, Shanghai, with a total fair value of approximately HK$1,306 million. The periods of operating leases entered into range from 1.5 to 10 years.

A 7-storey shopping mall at Shenhe District, Shenyang, with a total fair value of approximately HK$3,265 million. The periods of operating leases entered into for the shopping mall range from 1 to 16 years.

A retail street at Baoshan District, Shanghai, with a fair value of approximately HK$494 million. The periods of operating leases are mainly from 1 to 10 years.

A Supermarket Shopping mall at Baoshan District, Shanghai with a fair value of approximately HK$223 million. The period of operating lease is 20 years.

A retail street at Hongshan New Town, Wuxi, with a fair value of approximately HK$81 million. The periods of operating leases are mainly from 1 to 6 years.

As at 31 December 2010, the Group's completed investment properties were valued by Jones Lang Lasalle Sallmanns Limited ("JLL") and Debenham Tie Leung Limited ("DTZ"), independent professionally qualified valuers. As there is no active market for the said properties, and due to the absence of similar properties in the same location and condition, the valuations were performed based on the income approach (term and reversion method or discounted cash flow method) for all completed investment properties. The following main inputs have been used.

	2010	**2009**
Yield		
Shanghai Oasis Middling Centre-Office	4.1%-4.4%	4.1%-4.4%
Shanghai Oasis Middling Centre-Shopping Mall	6.5%-6.8%	6.5%-6.8%
Shanghai Richgate Shopping Mall	6.25%-6.5%	5%-6%
Shenyang Richgate Shopping Mall	5%-6%	5%-6%
Scandinavia Street, Shanghai	9%-10%	9%-10%
Retail Street in Wuxi Project	4%-5%	4%-5%
Shanghai supermarket shopping mall	4%-5%	N/A

In arriving at the fair value of the investment properties under construction, reference is made to the comparable sales evidence available in a relevant market, after taking into account the expended construction costs and the costs that will be expended to complete the development.

The Group's interests in completed investment properties and investment properties under construction at their net book values are analysed as follows:

	2010	**2009**
In Mainland China, held on:		
Leases of over 50 years	1,236,431	1,202,109
Leases of between 10 and 50 years	5,499,553	5,321,170
	6,735,984	6,523,279

The investment properties pledged for bank borrowings are disclosed in Note 31.

The following amounts relating to the investment properties have been recognised in profit or loss:

	2010	**2009**
Rental income *(Note 5)*	137,031	120,612
Direct operating expenses arising from investment properties that generate rental income	(27,966)	(50,245)
Rental income on investment properties less direct operating expenses	109,065	70,367

18. PREPAID LAND LEASE PAYMENTS

GROUP

	2010	**2009**
In Mainland China, held on:		
– Leases of over 50 years	7,909,868	4,368,784
– Leases of between 10 and 50 years	3,507,374	4,151,162
	11,417,242	8,519,946

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	2010	2009
At beginning of year	8,519,946	7,540,178
Additions	2,343,484	1,395,832
Acquisition of subsidiaries *(Note 44)*	1,222,926	690,137
Amortisation capitalised as properties under development for sale	(249,822)	(178,738)
Disposals with the sale of completed properties	(725,611)	(92,222)
Disposal of subsidiaries	–	(843,871)
Amortisation	(14,286)	(4,204)
Exchange realignment	320,605	12,834
At end of year	11,417,242	8,519,946
Analysed as:		
Non-current: In relation to properties classified under property, plant and equipment	399,796	565,492
Current: In relation to properties held or under development for sale	11,017,446	7,954,454
	11,417,242	8,519,946

As of 31 December 2010, the Group's leasehold land of approximately HK$3,659 million (2009: HK$2,404 million) was pledged as collateral for the Group's bank loans and facilities *(Note 31)*.

19. GOODWILL

GROUP

	2010	2009
Cost		
At beginning of year	453,788	447,495
Acquisition of subsidiaries *(Note 44)*	196,069	5,582
Exchange realignment	22,122	711
At end of year	671,979	453,788
Accumulated impairment		
At beginning and end of year	–	–
Net carrying amount		
Balance, end of year	671,979	453,788
Balance, beginning of year	453,788	447,495

Impairment testing of goodwill

Goodwill acquired through certain business combinations has been mainly allocated to the following cash-generating-units for impairment testing:

(a) Albany Oasis Garden

(b) Richgate II (formerly known as Qinhai Oasis Garden)

(c) Bairun

These cash-generating units are parcels of lands with properties currently under development and located in the cities of Shenyang and Shanghai, respectively, and will be available for sale in the forthcoming one to seven years.

The recoverable amounts for both the Albany Oasis Garden, Richgate II and Bairun property development projects cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on forecasts covering seven-year, five-year and four-year periods respectively, approved by management. The pre-tax discount rates applied to the cash flow projections are 17.2% (2009: 19.13%), 16.5% (2009: 13.2%) and 20.6% (2009: N/A), respectively, and the cash flow for period beyond the five-year period is consistent with the real estate industry market indices. Professional valuers, JLL,were engaged to assist the Group in determining the estimated value in use.

The carrying amount of goodwill allocated to each of the three major cash-generating units is as follows:

	2010	**2009**
Albany Oasis Garden property development project	372,138	359,628
Richgate II property development project	89,160	86,162
Bairun property development project	169,648	–

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

– Selling prices – The market prices of comparable properties nearby

– Construction costs – The estimated costs including infrastructure costs to complete the property development projects

– Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant cash-generating units.

– Price inflation – The basis used to determine the value assigned to selling price inflation is the forecast price indices of 4%-5%, which is consistent with industry trends.

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts and consistent with external information sources.

20. INVESTMENTS IN SUBSIDIARIES AND ADVANCES TO SUBSIDIARIES

(a) Investments in subsidiaries

COMPANY

	2010	**2009**
Unlisted equity interests, at cost	5,148,045	4,433,839

The following is a list of the principal subsidiaries as at 31 December 2010:

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2010	2009	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Xin Dong Industry Co., Ltd.	PRC 28 May 1993	98%	98%	US$3,457,729	US$3,457,729	Property leasing and real estate agency
Shanghai Real Estate Property Management Co., Ltd.	PRC 1 September 1995	98.57%	98.57%	RMB5,000,000	RMB5,000,000	Property management
Shanghai Oasis Garden Real Estate Co., Ltd.	PRC 29 September 1998	98.75%	98.75%	US$19,600,000	US$19,600,000	Property development
Shanghai Wingo Infrastructure Co., Ltd.	PRC 4 August 1999	98.96%	98.96%	US$20,000,000	US$20,000,000	Development of technology for housing and provision of construction services
Shanghai Zhufu Property Development Co., Ltd. ("Zhufu")	PRC 11 August 2000	50.36%	50.36%	RMB10,000,000	RMB10,000,000	Property development
Anderson Land (Shanghai) Ltd. ("Anderson Shanghai")	British Virgin Islands ("BVI") 29 September 2001	52%	52%	US$100	US$100	Investment holding
Shanghai Anderson Fuxing Land Co., Ltd.	PRC 16 April 2002	51.48%	51.48%	US$20,000,000	US$20,000,000	Property development
Shanghai Hangtou Govern Real Estate Co., Ltd.	PRC 14 June 2002	98%	98%	US$10,000,000	US$10,000,000	Property development
Shanghai Andong Real Estate Development Ltd.	PRC 18 October 2007	99%	99%	RMB370,000,000	RMB370,000,000	Property development
Shanghai Jinwu Real Estate Co., Ltd. ("Jinwu")	PRC 12 August 2002	95.79%	96.80%	US$54,962,000	US$54,962,000	Property development and property leasing
Shanghai Jinxin Real Estate Co., Ltd.	PRC 28 October 2002	100%	100%	RMB700,000,000	RMB700,000,000	Property development
Shanghai Skyway Hotel Co., Ltd.	PRC 9 December 2002	56%	56%	RMB200,000,000	RMB200,000,000	Hotel operations
Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset Management") (i)	PRC 30 October 2007	60%	51%	US$31,936,200	US$31,936,200	Property leasing
Shenyang Huajian Real Estate Co., Ltd.	PRC 3 November 2006	100%	100%	US$45,000,000	US$45,000,000	Property leasing
Shanghai Shuo Cheng Real Estate Co., Ltd.	PRC 29 January 2003	100%	100%	RMB450,000,000	RMB450,000,000	Property development
Shanghai Liangshi Enterprises Ltd.	PRC 24 May 2006	50.36%	50.36%	RMB1,000,000	RMB1,000,000	Property development
Shanghai Shangzhi Real Estate Development Co., Ltd. ("Shangzhi Real Estate")	PRC 16 October 2008	98.75%	49.86%	RMB10,000,000	RMB10,000,000	Property development
Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gao Xiao") (ii)	PRC 4 December 2000	90%	70%	RMB750,000,000	RMB750,000,000	Property development
Haikou Century Harbour City Co., Ltd.	PRC 25 June 2008	79%	79%	RMB320,000,000	RMB320,000,000	Property development
Shenyang Lukang Real Estate Ltd.	PRC 13 July 2007	98.95%	98.95%	US$31,250,000	US$31,250,000	Property development
Haikou Century Richgate Business Administration Co., Ltd.	PRC 20 October 2008	100%	100%	US$300,000	US$300,000	Hotel administration

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2010	2009	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Lushan Real Estate Ltd.	PRC 4 August 2004	27.70%	27.70%	RMB11,110,000	RMB11,110,000	Property development
Shanghai Xiangdao Real Estate Ltd.	PRC 21 July 2009	98.75%	98.75%	RMB200,000,000	RMB200,000,000	Property development
Shanghai Xiabo Industry Ltd. ("Xiabo")	PRC 14 September 1995	98.75%	–	RMB3,000,000	RMB3,000,000	Property development
Shanghai Haibo Property development Co., Ltd. ("Haibo")	PRC 27 December 1996	98.75%	–	RMB15,000,000	RMB15,000,000	Property development
Shanghai Bairun Real Estate Co., Ltd. ("Bairun")	PRC 16 May 2002	50.36%	–	RMB112,000,000	RMB112,000,000	Property development
Wuxi Zhongqing Real Estate Co., Ltd. ("Zhongqing")	PRC 11 July 2008	98.75%	–	RMB85,000,000	RMB85,000,000	Property development
Jiaxing Lake Richgate Real Estate Co., Ltd. ("Jiaxing")	PRC 26 September 2007	100%	–	US$25,800,000	US$49,900,000	Property development
China New Town Development Company Limited ("CNTD") (iii)	BVI 4 January 2006	61.54%	50.07%	RMB2,778,853,426	10 billion shares (No par)	Land development
SGLD (iii)	PRC 26 September 2002	44.70%	36.37%	RMB548,100,000	RMB548,100,000	Land development
Shanghai Lake Malaren Golf Club Co., Ltd. (iii)	PRC 6 July 2004	42.46%	34.55%	RMB5,000,000	RMB5,000,000	Golf club management
Shanghai Lake Malaren Property Management Co., Ltd.	PRC 23 June 2005	98.57%	35.49%	RMB5,000,000	RMB5,000,000	Property management
Shanghai Junyihui Entertainment Co., Ltd. (iii)	PRC 28 July 2005	44.70%	36.37%	RMB1,680,000	RMB1,680,000	Entertainment services provider
Shanghai Jia Tong Enterprises Co., Ltd. (iii)	PRC 12 April 2006	61.54%	50.07%	RMB1,000,000	RMB1,000,000	Consultation services
Shanghai Lake Malaren Hotel Management Co., Ltd. (iii)	PRC 25 April 2006	44.70%	36.37%	RMB5,000,000	RMB5,000,000	Hotel management
Shanghai Golden Luodian Infrastructure Development Co., Ltd. (iii)	PRC 16 March 2009	47.39%	36.32%	RMB10,000,000	RMB10,000,000	Construction of transportation hub and real estate development
Shanghai Lake Malaren Tourism Development Co., Ltd. (iii)	PRC 29 December 2009	40.23%	32.73%	RMB3,000,000	RMB3,000,000	Travelling information and wedding etiquette services
Wuxi Hongshan New Town Development Co., Ltd. (iii)	PRC 6 March 2007	55.38%	45.06%	RMB192,689,000	RMB192,689,000	Land development
Shenyang Lixiang New Town Development Co., Ltd. (iii)	PRC 6 March 2007	55.38%	45.06%	RMB747,667,000	RMB747,667,000	Land development
Shanghai CNTD Management Consulting Co., Ltd. (iii)	PRC 21 June 2007	61.54%	50.07%	RMB1,513,000	RMB1,513,000	Enterprise investment consultation
Wuxi Hongshan New Town Virescence Environmental Protection Construction Co., Ltd. (iii)	PRC 17 August 2007	55.38%	45.06%	RMB372,204,000	RMB372,204,000	Planting, maintenance and management of scenic spots in the Wuxi Project
Changchun New Town Automobile Industry Construct Co., Ltd. (iii)	PRC 15 November 2007	49.24%	40.06%	RMB220,267,000	RMB220,267,000	Land development
Shenyang Lake Malaren Country Club Co., Ltd. (iii)	PRC 6 March 2008	61.54%	50.07%	RMB17,704,000	RMB17,704,000	Sports management

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2010	2009	Issued and paid-up capital	Authorised share capital	Principal activities
Shenyang Meteorite Park Tourism Development Co., Ltd. (iii)	PRC 13 March 2008	55.38%	50.07%	RMB340,050,000	RMB340,050,000	Landscaping, and plant maintenance and management of scenic spots
Wuxi Hongshan New Town Commercial Operation and Management Co., Ltd. (iii)	PRC 18 March 2008	55.38%	45.06%	RMB1,000,000	RMB1,000,000	Business management
Shanghai Golden Luodian International Travel Services Co., Ltd. (iii)	PRC 18 June 2010	40.23%	–	RMB1,000,000	RMB1,000,000	Travel service
Chengdu Shanghai Real Estate Co., Ltd. (iii)	PRC 20 December 2010	44.70%	–	RMB20,000,000	RMB20,000,000	Property development
Wuxi Hongqing Real Estate Development Co., Ltd. (iii)	PRC 27 April 2010	55.38%	–	RMB8,000,000	RMB8,000,000	Property development

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Other than disclosed above, the Company has several investment holding subsidiaries incorporated in the BVI or Hong Kong with nominal issued shares. All subsidiaries located in Mainland China are limited liability entities.

The major transactions relating to the investments in subsidiaries are as follows:

(i) On 10 February 2010, Sinopower Limited ("Sinopower"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with a ultimate shareholder of the non-controlling interest in Huarui Asset Management, to purchase its 100% equity interest in Big Prime Limited which holds 9% equity interest in Huarui Asset Management together with a call option (Note 36) to purchase up to 40% of the equity interest in Huarui Asset Management, for a total consideration of RMB305 million. The transaction was completed in 2010. After completion of these share transfer, equity interest held by the Company in Huarui Asset Management increased from 51% to 60%.

Since this transaction is an acquisition of non-controlling interest in a subsidiary, the difference between the purchase consideration and share of net assets acquired, amounting to approximately HK$153 million, was debited to other reserves.

(ii) On 28 October 2009, Konmen, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with a third party to purchase, the entire issued capital of Goldjoy Investment Limited ("Goldjoy") and an interest-free shareholder's loan for a total consideration of HK$750,000,000. HK$250 million, being the partial payment, has been paid in cash during 2010 and the balance of HK$500 million has been promised to be paid on or before 28 October 2011. Goldjoy holds a 20% equity interest in Liaoning Gao Xiao. The transaction was completed prior to the end of the year. After completion of these share transfer, equity interest held by the Company in Liaoning Gao Xiao increased from 70% to 90%.

Since the transaction is an acquisition of non-controlling interest in a subsidiary, the difference between the purchase consideration and share of net assets acquired, amounting to approximately HK$379 million, was debited to other reserves.

(iii) On 19 April 2010, Sinopower, a 100% owned subsidiary of the Company, has acquired 97,939,859 CNTD Shares on the SGX-ST at the price of S$0.12 per CNTD Share for a total consideration of approximately S$11.75 million (equivalent to approximately HK$66.75 million) plus the relevant stamp duty and related expenses. On the same date, Sinopower, served a notice to CNTD relating to the exercise of the conversion rights attached to the convertible bonds (subscribed by Sinopower on 28 July 2009) in full. Upon conversion of the bonds, the number of CNTD shares owned by the Company increased by 754,145,894 accordingly. Upon the conversion and the acquisition, the Group's equity interest in CNTD increased from approximately 50.01% to 62.36%.

On 7 July 2010, CNTD has sold all of its 51,639,250 treasury shares on open market (SGX-ST) to investors other than the Group at a price of S$0.105 per share. Upon completion of such sale, the percentage of shares held by the Group has accordingly decreased from approximately 62.36% to 61.54%.

Since the transaction is an acquisition of non-controlling interest in a subsidiary, the excess of share of net assets acquired over the purchase consideration, amounting to approximately HK$135 million, was credited to other reserves.

For all subsidiaries and associate of CNTD, the percentage of equity interest attributable to the Group has changed in line with the change of the Group's equity interest percentage in CNTD.

(iv) During current year, the group completed business acquisition on five subsidiaries as Xiabo, Haibo, Wuxi Zhongqing, Bairun and Cheswing, detailed information, please refer to Note 44.

(b) Advances to subsidiaries

COMPANY

All the advances to subsidiaries are unsecured and have no fixed repayment terms, other than an advance amounting to approximately HK$73.7 million (2009: HK$73.7 million) to Anderson Shanghai which earns interest at 3% (2009: 3%) per annum and a US$4.5 million loan to Huarui Asset Management which earns interest at the prevailing London Interbank Offered Rate per annum, the advances to other subsidiaries were interest-free.

21. INVESTMENTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

(a) Investments in associates

GROUP

	2010	**2009**
Share of net assets	72,182	87,807
Less: Provision for impairment	–	–
	72,182	87,807
Market value of listed shares	–	–

Particulars of the Group's associates as at 31 December 2010 are set out below:

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2010	2009	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Housing Industry New Technology Development Co., Ltd. ("New Technology")	PRC 6 May 1997	26%	26%	RMB100,000,000	RMB100,000,000	Research and development of housing technology

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2010	2009	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Orda Opto-electronics Science and Technology Co., Ltd.	PRC 23 March 2000	23.52%	23.52%	RMB11,000,000	RMB11,000,000	Development and sale of photo electronic products, computer hardware and software
Shanghai Telecom Broadband Networking Co., Ltd. ("Broadband") (i)	PRC 24 October 2000	19.80%	39.59%	RMB100,000,000	RMB100,000,000	Development and sale of netware and construction of broadband fibre projects
Shanghai Malaren Lake Artwork Exhibition Co., Ltd.	PRC 25 April 2006	8.95%*	7.28%	RMB1,000,000	RMB1,000,000	Artwork exhibition

* Please refer to Note 20(a)(iii) for the changes in the Company's interests in CNTD during the year.

(i) On 16 April 2010, shareholders of Broadband approved to merge by absorption of Shanghai Smartelnet Company. After this merger, the Company's ultimate ownership in Broadband decreased from 39.59% to 19.80% while direct ownership in Broadband changed from 40% to 20%.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

The year end financial statements of the above associates are coterminous with those of the Group.

The Group's shareholdings in the associates all comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above associates have been accounted for using the equity method in these financial statements.

Extracts of financial information of principal associates

The following tables illustrate the financial information of the Group's principal associates as extracted from their financial statements:

(1) Broadband

	2010	2009
Assets	377,094	205,911
Liabilities	(182,898)	(60,741)
Revenue	193,444	139,478
Profit after tax	63,652	39,487

(2) New Technology

	2010	2009
Assets	134,083	120,239
Liabilities	(6,743)	(6,732)
Revenue	7,646	2,179
Profit after tax	32,626	1,243

(b) Amounts due from associates

	Group		Company	
	2010	**2009**	**2010**	**2009**
Amounts due from:				
– Broadband	8,113	1,825	–	–
	8,113	1,825	–	–

The above amounts due from an associate at 31 December 2010 included a RMB6 million (31 December 2009: nil) of dividend receivable from Broadband.

The Group's amount due to an associate is disclosed in Note 40 to the financial statements.

22. OTHER NON-CURRENT ASSETS

	Group		Company	
	2010	**2009**	**2010**	**2009**
Prepayments for acquisition of companies (a)	–	305,391	–	279,485
Deferred commission from sale of golf membership	56,970	57,526	–	–
Others	1,004	18	–	–
	57,974	362,935	–	279,485

(a) On 17 August 2008, the Company signed a letter of intent with a third party (the "Vendor") to acquire its 100% equity interest in a resort investment management company in Jiaxing with a total consideration of US$50 million (HK$387 million). In connection with this transaction, the Group paid US$36 million (approximately HK$279 million) to the Vendor as earnest money. The earnest money was interest-free, and should be refunded to the Company if the conditions for the completion of the acquisition are not met by 30 June 2009. On 30 June 2009, the Company signed a memorandum with the Vendor to extend the deadline to 30 June 2010. As described in Note 44(5), the share transfer has been completed in the year and the prepayment was used to settle the purchase consideration.

In December 2009, Shangzhi Real Estate, a subsidiary of the Company, entered into two acquisition agreements with third parties. Pursuant to the agreements, Shangzhi Real Estate agreed to purchase the entire equity interests in two property development companies incorporated in the PRC for RMB75,250 thousand and RMB38,800 thousand, respectively. The prepayments of RMB23 million (approximately HK$26 million) have been made to original shareholder as at 31 December 2009. As described in Note 44(1) and Note 44(2), these acquisitions have been completed in January 2010 and the prepayments were used to settle the purchase consideration.

23. PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

GROUP

	2010	2009
At cost		
– In Shanghai City, the PRC	3,991,432	3,634,893
– In Shenyang City, the PRC	1,196,374	810,719
– In Wuxi City, the PRC	198,286	–
– In Jiaxing City, the PRC	38,925	–
– In Haikou City, the PRC	699,491	259,766
	6,124,508	4,705,378

	2010	2009
Properties held or under development expected to be recovered		
– Within one year	3,939,019	3,428,077
– After one year	2,185,489	1,277,301
	6,124,508	4,705,378

As of 31 December 2010 and 2009, certain of the Group's properties held or under development for sale had been pledged as collateral for the Group's bank loans and facilities (Note 31).

24. LAND DEVELOPMENT FOR SALE

GROUP

	2010	2009
At cost:		
Mainland China	4,416,924	4,353,169

Land development for sale is expected to be realised in the normal operating cycle, which is longer than 12 months.

As mentioned in the accounting policy on revenue recognition in Note 2.4, the realisation of land development for sale depends on the timing of sales of related land plots by the local governments, which is uncertain and out of the control of the Group, and the amounts of land development for sale recognised as cost of sales upon realisation change significantly from year to year.

25. PREPAYMENTS AND OTHER CURRENT ASSETS

	Group		Company	
	2010	2009	2010	2009
Prepaid business tax	172,639	177,205	–	–
Prepayments	483,391	81,324	–	50,146
Others	15,301	2,485	3,117	1,360
	671,331	261,014	3,117	51,506

The above prepayment balances at 31 December 2010 included a RMB214 million (31 December 2009: nil) and a RMB137 million (31 December 2009: nil) of prepayments for land use right located in Chengdu and Shenyang respectively.

26. OTHER RECEIVABLES

	Group		Company	
	2010	**2009**	**2010**	**2009**
Receivables in connection with acquisition of Konmen Investment Limited (a)	551,201	550,382	–	–
Receivables in respect of CNTD's Changchun Project (b)	343,281	366,132	–	–
Receivables in connection with the disposal of subsidiaries	491	300,474	–	–
Deposit for a real estate project	35,257	–	–	–
Capital contribution to a company pending registration	–	10,789	–	–
Interest subsidy receivable (d)	21,256	21,022	–	–
Deposit for land bidding	111,827	–	–	–
Compensation receivable due from two third-party constructors (c)	41,133	–	–	–
Others	103,158	80,272	–	86
	1,207,604	1,329,071	–	86
Less: provision for impairment (d)	(21,256)	–	–	–
Other receivable, net	1,186,348	1,329,071	–	86

(a) On 17 August 2007, SRE Investment Holding Limited (a substantial shareholder of the Company, or the "Vendor") and an independent third party (the "Original Shareholder") entered into an acquisition agreement (the "Vendor Acquisition Agreement"), pursuant to which the Vendor agreed to purchase, from the Original Shareholder, the entire issued share capital (the "Sale Share") of Konmen Investment Limited ("Konmen"), which in turn holds a 70% interest in Liaoning Gao Xiao, for a consideration of HK$1,600 million.

On the same date, the Vendor and a subsidiary of the Company (the "Purchaser") entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Purchaser agreed to purchase the Sale Share from the Vendor for a consideration of HK$1,600 million. Pursuant to the Acquisition Agreement, the consideration was satisfied by the Company issuing 526,315,789 shares at a price of HK$3.04 per share, representing approximately 23.80% of the then existing issued share capital of the Company and approximately 19.22% of the issued share capital of the Company as enlarged by the newly issued shares. The market share price on the acquisition date was HK$3.36 per share.

On 15 November 2007, a supplemental agreement was entered into between the Vendor, the Company, the Purchaser, the Original Shareholder and Konmen (the "Supplemental Agreement").

Liaoning Gao Xiao is the developer of two properties (the "Properties") and also successfully won the bid in August 2007 for the acquisition of a parcel of land (the "Land") with a site area of approximately 153,696 square metres. Both the Properties and the Land are located at Shenyang City, the PRC. The total purchase cost of the Land including demolition and relocation costs that would be incurred is estimated at RMB1,192,680,960 (the "Land Purchase Cost"). Also, Liaoning Gao Xiao had assets (the "Assets") other than the Land and the unsold part of Properties, and other liabilities (the "Liabilities"), upon completion of the acquisition.

According to the above agreements, the Original Shareholder agreed to pay Liaoning Gao Xiao the Land Purchase Cost, to bear the Liabilities and to reimburse Liaoning Gao Xiao the relevant amounts payable in respect of the Liabilities, to the extent that they have not been paid for by the Original Shareholder and/or the other shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao. If the amounts paid by the Original Shareholder are made to the Vendor, the Vendor agreed to transfer such amounts to the Group. The Original Shareholder is also entitled to receive the Assets from the Group through the Vendor, to the extent that such assets have not been paid to the Original Shareholder and/or the shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao.

Pursuant to the above agreements, the Vendor has also undertaken to pay Liaoning Gao Xiao the Land Purchase Cost, and to bear the Liabilities and to reimburse Liaoning Gao Xiao the relevant amounts payable in respect of the Liabilities, to the extent they have not been paid for by the Original Shareholder and/or the other shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao. In addition, in the event that Liaoning Gao Xiao fails to obtain the relevant land use right to the Land by 30 June 2010, the Vendor undertakes to pay the Company HK$1,600 million in cash on or before 30 December 2010 (the "Undertaking").

It was subsequently announced by the Company on 26 June 2009 that as at 30 April 2009, Liaoning Gao Xiao has only obtained land use rights for approximately 28% of the site area of the Land. On 4 December 2009, the Special General Meeting of the Company passed a resolution that the Company shall not exercise its rights under the Undertaking for the time being and shall delay enforcement of the Undertaking against the Vendor to 31 December 2012 if Liaoning Gao Xiao still fails to obtain the land use rights certificates in respect of the remaining portion of the Land by then.

In connection with the above, RMB515 million (HK$549 million) were received by the Group in 2007. As of 31 December 2010, the outstanding receivable in respect of this transaction amounted to approximately RMB469 million (approximately HK$551 million) (2009: approximately RMB485 million (approximately HK$550 million)).

(b) The above other receivable balances at 31 December 2010 included a RMB292 million (approximately HK$343 million) (31 December 2009: RMB322 million, approximately HK$378 million) estimated receivable due from the Changchun Auto Industry Development Zone Administrative Committee (the "Changchun Committee"). In December 2009, the Group has entered into an agreement ("the 2009 Agreement") with the Changchun Committee to cease the land development by the Group through Changchun New Town Automobile Industry Construct Co., Ltd. in Changchun. Pursuant to the 2009 Agreement, although no detailed repayment schedule had been set out in the 2009 Agreement, the Changchun Committee agreed to fully repay the Group within a year from the date of the 2009 Agreement, for, firstly, the cost of construction, which shall be determined by independent qualified professional parties after conducting construction audits, and, secondly, the cost of relocation that has been incurred by the Group in accordance with the relevant relocation agreement, and compensate the Group for finance costs (including certain related miscellaneous expenditure) at an interest rate of 10% per annum based on the time elapsed since the actual date when such finance costs were incurred by the Group. During the year ended 31 December 2010, RMB33 million (approximately HK$39 million) had been collected by the Group (2009: RMB10 million, approximately HK$12 million), among which RMB19 million (2009: nil) was used to settle the estimated payables to constructors on behalf of the Changchun Committee during the year ended 31 December 2010. In addition, the estimated receivables from the Changchun Committee and estimated payables to constructors both increased by a total amount of RMB3 million as a result of the construction audits to date. The total collections so far from the Changchun Committee amounted to approximately RMB51 million (approximately HK$60 million) (RMB8 million had been received before the 2009 Agreement was reached). In December 2010, due to the delay in construction audits and other necessary procedures, the Changchun Committee issued a letter requesting to extend the repayment of remaining balances from end of 2010 to no later than end of 2011. Since the Changchun Committee promised, in the letter, to continue to honour all other clauses of the 2009 Agreement, the directors expect that the receivable will be fully settled, and hence, no provision had been made for the receivable due from the Changchun Committee as at 31 December 2010 (2009: no provision). The transaction did not contribute any significant profit or loss to the Group.

(c) The above other receivable balances at 31 December 2010 also included an amount of RMB35 million (approximately HK$41 million) receivable due from two third-party constructors. In December 2008, due to illegal occupation of agricultural land for the purpose of constructing a golf course, the Liaoning Department of Land and Resources established that as a case for investigation, and it issued the Administrative Penalty Decision Notice in this respect. Though the CNTD Group has instructed third-party constructors to stop the construction of the golf course on the agricultural land, those constructors still continued such construction and therefore those constructors agreed to compensate the Group by RMB41 million (approximately HK$48 million). Up to May 2010, the Group has fulfilled what was required by the Liaoning Department of Land and Resources, i.e., the golf clubhouse which was established within the grounds of the sports and recreation park under the Shenyang Project, was confiscated, the Group paid a fine of approximately RMB14.7 million (approximately HK$17 million) and was required to reinstate the portion of agricultural land that was illegally occupied for the construction of the golf course and clubhouse. The confiscation of club house and reinstatement of a portion of agricultural land caused the Group to write down a total carrying amount of RMB30.6 million (approximately HK$36 million) during 2010 of property, plant and equipment. Since the RMB41 million (approximately HK$48 million) compensation from the constructors partially compensate the fine and the write-down of property, plant and equipment, the Group incurred a loss of RMB4.3 million (approximately HK$5 million). During the year ended 31 December 2010, RMB6 million (approximately HK$7 million) has been collected by the Group and the third-party constructors promised to repay the remaining amounts in the year ended 31 December 2011.

As of 31 December 2010, no further provision in respect of the case was made as the case was closed officially in June 2010 and the directors expect that the receivable will be fully settled.

(d) There is a bad debt provision for other receivables of RMB18,510 thousand (approximately HK$21 million), which has been outstanding for almost four years and is not expected to be recovered. The Group does not hold any collateral or other credit enhancements over this balance.

No other asset is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

27. ACCOUNTS RECEIVABLE

GROUP

	2010	**2009**
Accounts receivable	617,983	411,635
Less: Provision for impairment	(10,118)	(10,313)
	607,865	401,322
Non-current accounts receivable	109,598	106,365
	717,463	507,687

	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	(10,118)	(10,313)
	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	58	7,213
	109,598	106,365
	717,463	507,687

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
	727,581	518,000

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 aging 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
	717,463	507,687

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:

	2010	2009
At beginning of year	10,313	9,920
Impairment losses recognised *(Note 7)*	–	377
Amount written off as uncollectible	(541)	–
Exchange realignment	346	16
At end of year	10,118	10,313

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.

28. CASH AND BANK BALANCES

	Group		Company	
	2010	2009	2010	2009
Cash on hand	1,894	1,820	15	31
Demand and notice deposits	3,883,060	4,018,720	158,147	84,790
Time deposits with original maturity of no more than 3 months	2,350	113,572	–	–
Cash and cash equivalents	3,887,304	4,134,112	158,162	84,821
Time deposits with original maturity of more than 3 months	273,501	7,950	–	–
Pledged bank deposits (a)	1,097,661	126,292	–	–
Restricted bank deposits under a development project (b)	98,631	284,770	–	–
Restricted bank deposits relating to legal arbitration (c)	3,561	–	–	–
Restricted bank deposits relating to interest on borrowings (d)	42,308	49,698	–	–
Cash and bank balances	5,402,966	4,602,822	158,162	84,821

(a) As at 31 December 2010, the bank deposits of approximately HK$1,098 million (2009: HK$126 million) were pledged as securities for bank borrowings (Note 31).

(b) These restricted bank deposits are mainly funds designated for relocating existing residents under a development project.

(c) These restricted bank deposits were frozen by bank for legal arbitration according to the progression of these lawsuits. The management considered the impact of these lawsuits to the Group was minimal.

(d) An amount of RMB36 million (equivalent to HK$42,308 thousand) (2009: RMB36 million, equivalent to HK$40,886 thousand) is related to the interest to be paid for the RMB600 million bank loan. The balance as of 31 December 2009 also included an amount of US$1,135 thousand relating to the interest to be paid for CNTD Guaranteed Senior Notes in March 2010, which have been escrowed in interest reserve accounts.

The carrying amounts of the cash and bank balances which are denominated in the following currencies are:

	Group		Company	
	2010	2009	2010	2009
Hong Kong dollars	267,946	12,900	157,965	4,362
United States dollars	16,083	95,465	196	80,459
Singapore dollars	109	85	1	–
RMB	5,118,828	4,494,372	–	–
	5,402,966	4,602,822	158,162	84,821

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Demand deposits earn interest at floating rates based on daily bank deposit rates. Notice deposits are made for varying periods of between one day and seven days depending on the immediate cash requirements of the Group, and earn interest at the respective notice deposit rates. Time deposits earn interest rate at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents, pledged and restricted deposits approximate to their fair values.

29. SHARE CAPITAL AND PREMIUM

GROUP AND COMPANY

		Amount		
	Number of shares (thousands)	Issued capital	Share premium	Total
At 1 January 2010 and 31 December 2010	3,603,881	360,388	4,376,101	4,736,489

		Amount		
	Number of shares (thousands)	Issued capital	Share premium	Total
At 1 January 2009	2,783,881	278,388	3,724,713	4,003,101
Issue of shares upon conversion of convertible bonds *(Note 41)*	300,000	30,000	217,212	247,212
Issue of new shares	520,000	52,000	434,176	486,176
At 31 December 2009	3,603,881	360,388	4,376,101	4,736,489

The total authorised number of ordinary shares is 8,000 million shares (2009: 8,000 million shares) with a par value of HK$0.10 per share (2009: HK$0.10 per share). All issued shares are fully paid.

(a) The Company's share option scheme was approved at a special general meeting held on 23 May 2002. According to this share option scheme, the directors may, at their discretion, at any time during the 10 years from the date of approval of the scheme, invite any executive and/or employee of the Group to take up share options of the Company. The subscription price is determined by the directors and may not be less than the higher of (i) the average official closing price of the shares on the HKEx for the five trading days immediately preceding the relevant offer date and (ii) the official closing price of the shares on the HKEx on the relevant offer date.

No share options of the Company were outstanding as at 31 December 2010 and 2009. CNTD's Management Stock Option Plan was detailed in Note 30(a).

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity. Pursuant to the relevant laws and regulations for sino-foreign joint venture enterprises, a portion of the profits of the Group's entities which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

Companies within the Group, most of which are registered in the PRC as foreign invested entities, are required to make appropriations from statutory net profits to the reserve fund and the enterprise expansion fund, upon distribution of their post-tax profits of the current year. The percentages to be appropriated to the reserve fund and the enterprise expansion fund are determined by the boards of directors of these companies.

Companies within the Group, which are registered in the PRC as domestic invested entities, are required to appropriate 10% of statutory net profits to the statutory surplus reserve, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contribution to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors.

CNTD's Management Stock Option Plan ("Management Grant")

Since CNTD was deemed as a subsidiary of the Company on 9 September 2009, CNTD's Management Grant was included in the consolidated financial statements of the Group. The detailed information of the Management Grant since it was launched is as follows:

On 5 July 2007, the Board of Directors of the CNTD passed a resolution to award a total of 380 CNTD shares (equivalent to 28,500 thousand CNTD shares after the CNTD share split in 2007) to certain of the CNTD's directors and employees ("Entitled Persons") as an incentive for their continued service to CNTD in the following proportions.

	Number of CNTD shares allotted	
Entitled Person	**Before the CNTD share split**	**Equivalent to the numbers after the CNTD share split**
Li Yao Min	79	5,925,000
Yue Wai Leung, Stan	79	5,925,000
Yang Yong Gang	68	5,100,000
Gu Bi Ya	40	3,000,000
Cheng Wai Ho	40	3,000,000
Mao Yi Ping	33	2,475,000
Tai Kuo Lin	25	1,875,000
Ma Da Yu	10	750,000
Sun Xiao Meng	3	225,000
Zhang Qiong	3	225,000
Total	380	28,500,000

In accordance with the terms of the Management Grant, the shares are allotted and will vest as follows: (a) 10% at the end of the 12th month after the date of listing of CNTD on the Main Board of the SGX-ST; (b) 15% at the end of the 24th month after the date of listing of CNTD on the Main Board of the SGX-ST; (c) 20% at the end of the 36th month after the date of listing of CNTD on the Main Board of the SGX-ST; (d) 25% at the end of 48th month after the date of listing of CNTD on the Main Board of the SGX-ST; and (e) the remaining 30% at the end of the 60th month after the date of listing of CNTD on the Main Board of the SGX-ST.

The Management Grant is provided on the basis that the relevant Entitled Persons remain in service within CNTD on the vesting days and he/she has not submitted a notice of resignation at those dates. The exercise price is RMB8 per CNTD share (before the CNTD share split in 2007, after the CNTD share split, the exercise price is RMB8 per 75,000 CNTD shares). The Management Grant is accounted for as a compensation for services to be provided by the Entitled Persons in the periods of service (the "vesting periods") as specified above. Since the CNTD shares granted do not vest until the Entitled Persons complete their services in the vesting periods, CNTD recognises the expenses over the vesting periods.

CNTD's Management Grant-Fair value of stock options granted

The fair value of the equity-settled stock options was approximately RMB 2.023 per CNTD share (after CNTD's share split in 2007) at the date of grant. There have been no cancellations or modifications to the Management Grant, and the Management Grant was not replaced as a result of the acquisition of CNTD. The fair value on 9 September 2009 was approximately RMB 0.576 per share.

The fair value of the stock option was estimated using the binomial option pricing model. Since the exercise price of the equity-settled stock options is close to zero per share (after CNTD's share split in 2007), the single most important input to the valuation model is price of the CNTD's shares, which were estimated to be approximately RMB 2.023 per share (after CNTD's share split in 2007) at the date of grant, and was quoted at RMB 0.576 per share (after CNTD's share split in 2007) on 9 September 2009.

Some of the Entitled Persons who have totally 43 CNTD shares (before CNTD share split) left CNTD till end of 31 December 2010, so their rights under Management Grant were forfeited according to the terms of Management Grant.

There have been no cancellations or modifications to any of Management Grant during the years ended 31 December 2010 and 2009.

CNTD's Management Grant-Movement in the year

The following table illustrates the number of and movements in the Management Grant during the year:

	2010 Number of CNTD's shares (after the share split)	**2009 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

The weighted average of the CNTD share price at the date of exercise for CNTD share options exercised during the year ended 31 December 2010 was SG$0.13 (year ended 31 December 2009: SG$0.07).

(b) Company

	Share option reserve	Exchange fluctuation reserve	Equity component of convertible bonds	Retained profits	Total
Balance at 1 January 2010	248	535,225	179,361	246,098	960,932
Total comprehensive income for the year	–	194,295	–	37,235	231,530
Cash dividends	–	–	–	(158,571)	(158,571)
Balance at 31 December 2010	248	729,520	179,361	124,762	1,033,891

	Share option reserve	Exchange fluctuation reserve	Equity component of convertible bonds	Retained profits	Total
Balance at 1 January 2009	248	526,838	–	5,817	532,903
Total comprehensive income for the year	–	8,387	–	240,281	248,668
Equity component of CB4	–	–	179,361	–	179,361
Balance at 31 December 2009	248	535,225	179,361	246,098	960,932

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group and Company

	Group 2010	Group 2009	Company 2010	Company 2009
Short-term bank borrowings				
– Secured	200,140	90,857	–	–
Other short-term borrowings				
– Unsecured	129,745	–	–	–
Current portion of long-term bank borrowings				
– Secured	2,637,662	1,453,151	947,302	–
Current portion of other long-term borrowings				
– Secured	51,332	–	–	–
– Unsecured	150,675	45,950	33,152	45,950
Borrowings, current portion	3,169,554	1,589,958	980,454	45,950
Long-term bank borrowings				
– Secured	8,306,434	5,732,283	155,683	247,294
Other long-term borrowings				
– Secured	446,711	–	–	–
– Unsecured	109,883	210,266	15,865	46,072
Borrowings, non-current portion	8,863,028	5,942,549	171,548	293,366
The long-term borrowings are repayable as follows:				
– Within 1 year	2,839,669	1,499,101	980,454	45,950
– 1 to 2 years	1,768,369	1,293,989	171,548	119,869
– 2 to 3 years	2,507,839	1,166,882	–	173,497
– 3 to 5 years	1,481,880	1,067,903	–	–
– After 5 years	3,104,940	2,413,775	–	–
	11,702,697	7,441,650	1,152,002	339,316
Less: long-term borrowings, current portion	(2,839,669)	(1,499,101)	(980,454)	(45,950)
Long-term borrowings, non-current portion	8,863,028	5,942,549	171,548	293,366

Short-term bank borrowings – secured

As at 31 December 2010, a short-term bank loan of approximately HK$200 million (2009: Nil) was pledged by bank deposits. As at 31 December 2009, a short-term bank loan of approximately HK$91 million was secured by a pledge of the Group’s investment properties and property, plant and equipment.

Other short-term borrowings – unsecured

Unsecured short-term borrowings of approximately HK$130 million (2009: approximately HK$164 million) are entrusted loan from a non-controlling shareholder of a subsidiary of the Company.

Long-term bank borrowings – secured

As at 31 December 2010, long-term bank borrowings of approximately HK$10,944 million (2009: approximately HK$7,185 million) were secured by pledges of the Group's leasehold land, together with bank deposits, property, plant and equipment, investment properties, properties held or under development for sale and equity interest of a subsidiary. Among the above long-term bank borrowings, a long-term bank loan with a principal of HK$176 million (2009: HK$400 million) was guaranteed by Mr. Shi Jian, the Chairman of the Company.

Other long-term borrowings – secured

As at 31 December 2010, long-term borrowing of approximately HK$498 million (2009: Nil) is from a third party trust fund which is secured by pledge of the Group's equity interest in a subsidiary.

Other long-term borrowings – unsecured

As at 31 December 2010, unsecured long-term borrowing of approximately HK$49 million is from an external banker (2009: approximately HK$92 million) in connection with the termination of the cross currency swaps, entered into during the year ended 31 December 2007, and unsecured long-term borrowing of approximately HK$212 million (2009: Nil) is from a third party trust fund.

Overall collateral arrangements for bank and other borrowings

As at 31 December 2010, bank deposits of approximately HK$1,098 million (2009: approximately HK$126 million) (Note 28), leasehold land of approximately HK$3,659 million (2009: approximately HK$2,404 million) (Note 18), investment properties of approximately HK$6,414 million (2009: approximately HK$6,115 million), properties held or under development for sale of approximately HK$2,939 million (2009: approximately HK$1,966 million), and property, plant and equipment of approximately HK$1,361 million (2009: approximately HK$1,396 million) (Note 16) and 100% equity interest in Bairun with a cost of approximately HK$59 million (2009: Nil) and 95% equity interest in Jinwu with a cost of approximately HK$494 million (2009: Nil) were pledged as collateral for the Group's long-term borrowings and banking facilities.

The weighted average effective interest rates for these borrowings at the end of the reporting period are as follows:

	2010			**2009**		
	HK$	*US$*	*RMB*	*HK$*	*US$*	*RMB*
Short-term bank borrowings	1.79%	–	–	–	–	6.37%
Other short-term borrowings	–	–	5.56%	–	–	–
Long-term bank borrowings	2.76%	–	5.89%	2.80%	–	5.77%
Other long-term borrowings	–	6.01%	11.56%	–	6.01%	7.07%

As bank loans are all borrowed at prevailing market interest rates, which would be adjusted from time to time in line with interest rate changes in the market, the carrying amounts of the bank loans approximate to their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2010	**2009**	**2010**	**2009**
Hong Kong dollars	1,303,124	637,517	1,102,985	247,294
United States dollars	49,017	92,022	49,017	92,022
RMB	10,680,441	6,802,968	–	–
	12,032,582	7,532,507	1,152,002	339,316

The Group had the following undrawn credit facilities as of the end of the reporting period:

	2010	**2009**
Floating rate loan facilities		
– expiring within 1 year	16,453	261,215
– expiring beyond 1 year	458,338	–
	474,791	261,215

32. GUARANTEED SENIOR NOTES

Group and Company

	Group		Company	
	2010	**2009**	**2010**	**2009**
Non-current				
SRE Guaranteed Senior Notes (a)	557,322	552,463	557,322	552,463
Current				
CNTD Guaranteed Senior Notes (b)	–	95,813	–	–
	557,322	648,276	557,322	552,463

SRE Guaranteed Senior Notes

At initial recognition, the SRE Guaranteed Senior Notes in their original currency are as follows:

	US$'000
Face value of SRE Guaranteed Senior Notes	200,000
Less: issuance cost	(6,841)
Carrying amount on initial recognition	193,159

The movements in the carrying amount of SRE Guaranteed Senior Notes during the year are as follows:

	2010		2009	
		HK$ equivalent		**HK$ equivalent**
	US$'000	*HK$'000*	*US$'000*	*HK$'000*
At beginning of year	71,240	552,463	198,448	1,537,947
Foreign exchange gain	–	(16,874)	–	–
Exchange realignment	–	18,891	–	680
Add: interest expense *(Note 9)*	6,529	50,737	13,081	101,409
Less: payment of interest	(6,164)	(47,895)	(11,707)	(90,756)
Less: amount redeemed (including accrued interest)	–	–	(128,582)	(996,817)
At end of year	71,605	557,322	71,240	552,463

CNTD Guaranteed Senior Notes

The movements in the carrying amount of CNTD Guaranteed Senior Notes during the year are as follows:

	2010		2009	
		HK$ equivalent		**HK$ equivalent**
	US$'000	*HK$'000*	*US$'000*	*HK$'000*
At beginning of year	84,363	95,813	–	–
Acquisition of subsidiaries	–	–	83,231	94,452
Exchange realignment	–	1,067	–	76
Add: interest expense *(Note 9)*	17,287	19,852	8,886	10,085
Less: payment of interest	(15,495)	(17,794)	(7,754)	(8,800)
Less: amount redeemed (including accrued interest)	(86,155)	(98,938)	–	–
At end of year	–	–	84,363	95,813

(a) On 24 April 2006, the Company issued guaranteed senior notes maturing on 24 April 2013 (the "Maturity Date"), with an aggregate principal amount of US$200 million and a fixed interest rate of 8.625% per annum (the "SRE Guaranteed Senior Notes"). The SRE Guaranteed Senior Notes are guaranteed by some investment holding subsidiaries which are not incorporated in the PRC.

Interest of the SRE Guaranteed Senior Notes is payable semi-annually in arrears on 24 April and 24 October in each year commencing from 24 October 2006. With regard to the principal amount, the Company has the following redemption options:

i) prior to 24 April 2009, redeem on one or more occasions up to 35% of the aggregate principal amount of the SRE Guaranteed Senior Notes originally issued, at a redemption price of 108.625% of the principal amount, plus accrued and unpaid interest to the redemption date, or

ii) at any time or from time to time prior to the Maturity Date, redeem all or part of the SRE Guaranteed Senior Notes at a redemption price equal to 100% of the principal amount thereof plus an applicable premium plus accrued and unpaid interest to such redemption date.

On 25 April 2006, the SRE Guaranteed Senior Notes were listed on the HKEx.

Interest expense on the SRE Guaranteed Senior Notes is calculated using the effective interest method by applying the effective interest rate of 9.30% per annum.

On 9 June 2009, the Company announced that it has commenced a tender offer to purchase for cash any and all of its US$200,000,000 SRE Guaranteed Senior Notes. In response to the tender offer, the notesholders holding SRE Guaranteed Senior Notes in an aggregate principal amount of US$128,539 thousand, representing approximately 64.27% of the total aggregate principal amount of the US$200 million SRE Guaranteed Senior Notes had tendered their SRE Guaranteed Senior Notes to be repurchased by the Company in cash. As a result of the redemption, the Group reported a gain on redemption of Guaranteed Senior Notes of approximately HK$179,102 thousand in 2009 (Note 6).

Following the redemption of the SRE Guaranteed Senior Notes, US$71,461,000 of the principal amount of the SRE Guaranteed Senior Notes remained outstanding as at 31 December 2009. The original payment terms of the remaining Guaranteed Senior Notes remained unchanged.

(b) On 12 September 2008, 17.75% US dollar settled Senior Secured Guaranteed Notes (the "CNTD Guaranteed Senior Notes") with the principal amount of RMB593.3 million due on 12 September 2011 was issued by CNTD when CNTD was an associate of the Group.

In September 2009, CNTD completed the repurchase of RMB505,940 thousand in a principal amount of the CNTD Guaranteed Senior Notes from the noteholders by an aggregate of newly issued 229,586,468 ordinary shares (with a fair value equivalent to HK$150 million) of CNTD by way of a private placement and cash amounting to US dollar equivalent of HK$386 million. After the repurchase and as of 31 December 2009, the principal amount of outstanding CNTD Guaranteed Senior Notes was RMB87,360 thousand (equivalent to HK$99,216 thousand).

On 19 November 2010, CNTD completed the repurchase of all its outstanding RMB87,360 thousand in the principal amount (with a carrying amount of RMB86,155 thousand including interest accrued) of the CNTD Guaranteed Senior Notes for a total cash consideration of RMB90,332 thousand (i.e. the principal amount plus all accrued but unpaid interest of RMB2,972 thousand up to 19 November 2010). The repurchase resulted in a loss of RMB4,177 thousand (equivalent to HK$4,798 thousand) (Note 6)and no CNTD Guaranteed Senior Notes were outstanding after the repurchase.

33. DEFERRED INCOME

Group

		2010	**2009**
Deferred income arising from:			
Non-current:			
Sale of golf club membership	*(i)*	632,478	639,041
Current:			
Land development	*(ii)*	1,111,837	696,291
		1,744,315	1,335,332

(i) The revenue arising from the sale of golf club membership is deferred and recognised on the straight-line basis over the expected period when the related benefits would be provided.

(ii) The deferred revenue arising from land development for sale represents the portion of amounts received/receivable from the land authorities as a result of the sales of parcels of land developed by the Group that are not yet recognised as revenue, because the developments of the ancillary public facilities attributable to the parcels of land sold are still in progress. The amounts received/receivable are non-refundable unless the Group cannot complete the development work. The deferred income is classified as a current liability as the remaining development work is expected to be provided within the normal operating cycle.

34. DEFERRED TAX

Group

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, levied by the same tax authority and the same taxable entity.

The gross movements in the deferred tax account are as follows:

	2010	2009
At beginning of year	1,461,199	1,410,785
Reclassified to current tax liability in the current year	–	(92,040)
Disposal of subsidiaries	–	(28,942)
Acquisition of subsidiaries (Note 44)	310,653	(72,178)
Recognised in profit or loss (Note 12)	(181,591)	241,298
Exchange realignment	53,804	2,276
At end of year	1,644,065	1,461,199

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets:

	Tax losses carried forward	The difference in accounting and tax bases arising from golf club revenue and costs	The difference in accounting and tax bases arising from share transfer consideration	Other temporary differences	Total
At 1 January 2009	19,811	–	–	–	19,811
Acquisition of subsidiaries	15,071	126,865	–	42,696	184,632
Recognised in profit or loss	16,169	3,478	–	(4,378)	15,269
Exchange realignment	57	118	–	36	211
At 31 December 2009	51,108	130,461	–	38,354	219,923
Recognised in profit or loss	19,877	3,880	230,282	5,642	259,681
Exchange realignment	2,405	4,629	5,385	1,468	13,887
At 31 December 2010	73,390	138,970	235,667	45,464	493,491

Deferred tax liabilities:

	Fair value gains	Excess of fair value over book value in the subsidiaries as a result of business combination	Withholding taxes	Others	Total
At 1 January 2009	762,164	367,138	184,415	116,879	1,430,596
Reclassified to current tax liability during the year	–	–	–	(92,040)	(92,040)
Disposal of subsidiaries	(4,441)	(24,501)	–	–	(28,942)
Acquisition of subsidiaries	34,395	78,059	–	–	112,454
Recognised in profit or loss	133,791	(8,958)	101,331	30,403	256,567
Exchange realignment	1,369	602	227	289	2,487
At 31 December 2009	927,278	412,340	285,973	55,531	1,681,122
Acquisition of subsidiaries *(Note 44)*	–	310,653	–	–	310,653
Recognised in profit or loss	(21,511)	(26,571)	103,313	22,859	78,090
Exchange realignment	31,755	20,726	12,365	2,845	67,691
At 31 December 2010	937,522	717,148	401,651	81,235	2,137,556

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2010	2009
Net deferred tax assets recognised in the consolidated statement of financial position	(432,186)	(177,588)
Net deferred tax liabilities recognised in the consolidated statement of financial position	2,076,251	1,638,787
	1,644,065	1,461,199

Deferred tax assets have not been recognised in respect of the following items:

	2010	2009
Tax losses	786,191	689,819
Deductible temporary differences	3,436	9,357
	789,627	699,176

The above tax losses arising in Mainland China for offsetting against future taxable profit will expire in one to five years. Deferred tax assets have not been recognised in respect of the tax losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these temporary differences can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings derived after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008 onward.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. CONVERTIBLE BONDS

Group and Company

The carrying value of the host debt components of the convertible bonds as at the end of the reporting period is as follows:

	2010	2009
Convertible Bonds 4 – host debt	354,548	312,219
	354,548	312,219

Convertible Bonds 3 ("CB3")

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

During the year ended 31 December 2009, the entire CB3 with the face value of HK$165 million were converted into shares of the Company when the relevant holders exercised their conversion right. There was no outstanding balance for the CB3 as at 31 December 2009.

Convertible Bonds 4 ("CB4")

On 23 July 2009 (the "Issue Date"), the Company issued convertible bonds (the "CB4"), maturing on 23 July 2014, in the aggregate principal amount of RMB446.9 million with an initial conversion price of HK$1.056 per share with a fixed exchange rate applicable to the conversion of RMB0.8818 = HK$1.00 per ordinary share of the Company (subject to certain anti-dilutive adjustments). The coupon interest rate is 6% per annum, payable semi-annually in arrears on 23 January and 23 July in each year. The bondholders have the option to convert the CB4 to ordinary shares of the Company at any time after 41 days from the Issue Date to 10 business days before its maturity. The bondholders also have the option to require redemption at 100% of the principal amount at any time after three years from the Issue date. The Company also has the option to redeem, at an amount at 100% of the principal amount, all of the CB4 if at least 90% in the principal amount of the Bonds (including bonds issued pursuant to the option) originally issued has already been converted, redeemed or purchased and cancelled before 30 days prior to its maturity date.

On 24 July 2009, the CB4 were listed on the HKEx.

The face value of the outstanding CB4 as at 31 December 2010 amounted to RMB446,900 thousand (equivalent to HK$525,209 thousand).

The conversion option embedded in the CB4 meets the definition of equity instruments of the Company, and therefore it is classified as equity and presented separately from the liability component of the convertible bonds. The other embedded derivatives are not separated from host debt because their economic characteristics and risks are closely related to those of the host debt. The liability component is initially recognised as its fair value, net of transaction costs allocated to the liability component, and is subsequently measured at amortised cost. The residual amount (i.e. the excess of net proceeds over the amount allocated to the liability component) is assigned as the equity component (the conversion option) and is included in shareholders' equity.

The various components of the respective convertible bonds recognised on initial recognition are as follows:

	CB3	**CB4**
Gross proceeds from issuance of convertible bonds	165,000	507,149
Transaction costs attributable to the host debt component	(7,382)	(17,378)
Separated embedded derivative component	(95,710)	–
Transaction costs attributable to the equity component	–	(10,535)
Equity component, net of transaction costs	–	(179,361)
Host debt component on initial recognition upon issuance	61,908	299,875

The movements in the host debt component for the year are as follows:

	2010	
	CB4	**Total**
Host debt component at 1 January 2010	312,219	312,219
Interest expense *(Note 9)*	61,407	61,407
Payment of interest	(30,792)	(30,792)
Exchange realignment	11,714	11,714
Host debt component at 31 December 2010	354,548	354,548
Less: amount classified as current liability	–	–
Amount classified as non-current liability	354,548	354,548

		2009	
	CB3	**CB4**	**Total**
Host debt component at 1 January 2009	62,008	–	62,008
Newly issued host debts-CB4	–	299,875	299,875
Interest expense *(Note 9)*	8,708	25,392	34,100
Payment of interest	(1,029)	–	(1,029)
Exchange realignment	–	259	259
Amount converted	(69,687)	–	(69,687)
Less: interest payable included in other payables	–	(13,307)	(13,307)
Host debt component at 31 December 2009	–	312,219	312,219
Less: amount classified as current liabilities	–	(312,219)	(312,219)
Amount classified as non-current liabilities	–	–	–

Interest expenses on the CB3 and the CB4 are calculated using the effective interest method by applying the effective interest rates of 33.86% and 19.93% to the host debt component, respectively.

Separated embedded derivatives of the convertible bonds

The fair values of the separated embedded derivatives of the convertible bonds on initial recognition are as follows:

	CB3
Initial recognition upon issuance of bonds	95,710

The fair value movement in the derivative financial liability embedded in the CB3 for the year ended 31 December 2009 is as follows:

	2009 CB3
Embedded derivative component at beginning of year	88,470
Fair value loss recognised in profit or loss *(note 6)*	89,055
Conversion to shares	(177,525)
Embedded derivative component at end of year	–

Those multiple embedded derivatives (holders' put options, issuer's call options and holders' conversion options, etc., that are not independent of each other) in a single instrument that are not closely related to the host contract are treated as a single compound embedded derivative. They are presented as derivative financial liabilities.

36. DERIVATIVE FINANCIAL INSTRUMENTS

Group

Asset:	**2010**	**2009**
Call option on a non-controlling interest	55,894	–
	55,894	–

This derivative financial asset represents a call option to purchase in aggregate up to 40% of the equity interest in Huarui Asset Management. This call option was acquired in a transaction with a shareholder of non-controlling interests (see Note 20(a)(i)) in Huarui Asset Management and may be exercised by the Company more than once from time to time and at any time during the period of 2 years from May 2010.

The derivative financial instrument is reported at fair value appraised by Greater China Appraisal Limited using generally accepted valuation methodologies, including, but not limited to, the Binomial Lattice model.

37. ADVANCES RECEIVED FROM THE PRE-SALE OF PROPERTIES UNDER DEVELOPMENT

Group

	2010	**2009**
Advances received from the pre-sale of properties under development	4,546,137	4,943,649

The Group conducts the pre-sale of properties when they are still under development. As contracted with customers, advances amounting to a substantial portion of sales consideration are paid to the Group shortly from the signing of the pre-sales contracts. Such amounts held by the Group are non-interest-bearing. Business tax, generally calculated at a rate of 5% on advances received, is imposed by the tax authorities.

38. ACCOUNTS PAYABLE

Group

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

	2010	**2009**
Within 1 year	2,670,441	2,546,524
1 to 2 years	337,099	522,927
Over 2 years	351,091	106,922
	3,358,631	3,176,373

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.

39. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	2010	2009
Payables for prepaid land lease payments	799,437	898,076	–	–
Receipts in excess of the Group's estimated share of land sales proceeds	75,770	30,070	–	–
Deposits received from and other payable to customers and construction companies	150,615	321,540	–	–
Business tax and surtaxes payable	389,870	301,651	–	–
Interest payable to a former non-controlling shareholder of a subsidiary	5,807	7,884	–	–
Dividends payable to non-controlling shareholders of subsidiaries	10,651	11,801	–	–
Relocation costs payable	93,660	269,211	–	–
Audit fees	13,811	4,429	–	–
Deposits from stores, rents received for developers and public utility fees collected and paid for tenants	36,069	26,831	–	–
Payables to contractors on behalf of the Changchun Committee	133,601	150,057	–	–
Agency fee payables for promotional services	4,768	47,700	–	–
Obligation to construct a transportation centre	–	60,445	–	–
Earnest money received from potential investor	–	49,522	–	–
Accruals for commission of golf club membership	29,535	32,355	–	–
Payroll and welfare payable	21,934	11,977	–	–
Accrued interest	20,029	19,158	15,250	13,307
Payables to former shareholders of a subsidiary for business combination (Note 41)	21,154	–	–	–
Payables to a former shareholder of a subsidiary for acquisition of a non-controlling interest (Note 20(a)(ii))	500,000	–	500,000	–
Others	114,437	96,653	1,663	12,008
	2,421,148	2,339,360	516,913	25,315

40. AMOUNTS DUE TO ASSOCIATES

	Group		Company	
	2010	2009	2010	2009
Amounts due to:				
An associate – New Technology	–	11,358	–	–
	–	11,358	–	–

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	**2010**	**2009**
Profit before tax		1,530,572	1,524,444
Adjustments for:			
Depreciation of property, plant and equipment		169,071	135,860
Impairment of accounts receivables		–	377
Impairment of other receivables		21,256	–
Reversal of impairment of interest in an associate		–	(104,403)
Loss/(gain) on disposal of property, plant and equipment, net		20,162	(81)
Share of profits and losses of associates		(25,459)	93,927
Fair value loss on derivative financial instruments		6,178	89,055
Loss/(gain) on redemption of Guaranteed Senior Notes		4,798	(179,102)
Fair value loss/(gain) on completed investment properties		135,864	(476,754)
Fair value loss on investment properties under construction		1,978	592
Gain on disposal of subsidiaries		–	(43,349)
Gain on bargain purchase of a subsidiary		(28,940)	–
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		(375)	–
Management share option expenses		6,400	4,470
Expenses incurred for the listing of existing shares of a subsidiary		36,814	–
Finance income	*8*	(71,317)	(16,884)
Finance costs	*9*	312,946	179,114
		2,119,948	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
Cash (used in)/generated from operations	(1,350,070)	3,112,001

(a) Major non-cash transactions:

	2010	**2009**
Payables to former shareholder of a subsidiary for acquisition of non-controlling interest *(Note 20(a)(ii))*	500,000	–
Prepayments used to settle purchase consideration for business combination *(Note 44)*	310,061	–
Payables to former shareholder of a subsidiary for business combination *(Note 39)*	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 *(Note 29)*	–	247,212

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (Note 17) under operating lease arrangements, with leases negotiated for terms mainly ranging from 1 to 20 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2010, the Group had total future minimum lease receivables under operating leases with its tenants falling due as follows:

Group

	2010	**2009**
Within one year	159,056	175,055
In the second to fifth years, inclusive	296,259	521,999
After five years	122,342	360,283
	577,657	1,057,337

The contingent rental income recognised in 2010 was HK$8,467 thousand (2009: HK$4,564thousand).

(b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years, and those for office equipment are for terms ranging between 2 and 5 years.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2010	2009
Within one year	9,456	8,998
In the second to fifth years, inclusive	7,219	14,537
After five years	1,175	–
	17,850	23,535

Company

	2010	2009
Within one year	5,257	5,259
In the second to fifth years, inclusive	6,132	11,394
	11,389	16,653

43. CAPITAL COMMITMENTS AND COMMITMENTS IN RESPECT OF LAND OR PROPERTY DEVELOPMENT FOR SALE

The Group and the Company had the following capital commitments and commitments in respect of land or property development for sale at the end of the reporting period:

	Group		Company	
	2010	2009	2010	2009
Contracted, but not provided for Investment property under construction	4,583	114,911	–	–
Land development for sale	2,423,583	2,517,112	–	–
Properties held or under development for sale	2,107,673	2,351,719	–	50,000
Consideration for potential business combination	–	853,634	–	–
Property, plant and equipment and leasehold land	366,928	306,664	–	–
	4,902,767	6,144,040	–	50,000
Authorised, but not contracted for Investment property under construction	170,284	192,011	–	–
Land development for sale	5,618,624	6,033,393	–	–
Properties held or under development for sale	1,737,764	3,163,732	–	–
Property, plant and equipment and leasehold land	3,395,176	2,875,480	–	–
	10,921,848	12,264,616	–	–
	15,824,615	18,408,656	–	50,000

44. BUSINESS COMBINATIONS

(1) Xiabo

In January 2010, Shangzhi Real Estate, a non-wholly-owned subsidiary of the Company completed the acquisition of a 100% equity interest in Xiabo, a property development company located in Shanghai City, the PRC.

The fair values of the identifiable assets and liabilities of Xiabo as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Prepaid land lease payments *(Note 18)*	88,504
Prepayments and other current assets	54
Other receivables	4,868
Cash and bank balances	2,249
Deferred tax liabilities *(Note 34)*	(59,778)
Other payables and accruals	(5,723)
Total identifiable net assets at fair value	30,174
Goodwill on acquisition *(Note 19)*	14,000
Total consideration	44,174
Satisfied by:	
Cash	44,174

An analysis of the cash flows in respect of the acquisition of the subsidiary during the year is as follows:

Cash and bank balances acquired	(2,249)
Net outflow of cash and cash equivalents included in cash flows from investing activities	41,925

(2) Haibo

In January 2010, Shangzhi Real Estate, a non-wholly-owned subsidiary of the Company completed the acquisition of a 100% equity interest in Haibo, a property development company located in Shanghai City, the PRC.

The fair values of the identifiable assets and liabilities of Haibo as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Prepaid land lease payments *(Note 18)*	171,596
Properties held or under development for sale	26,174
Cash and bank balances	25
Deferred tax liabilities *(Note 34)*	(114,204)
Other payables and accruals	(22)
Total identifiable net assets at fair value	83,569
Goodwill on acquisition *(Note 19)*	2,104
Total consideration	85,673
Satisfied by:	
Prepayments used to settle purchase consideration	26,194
Cash	59,479

An analysis of the cash flows in respect of the acquisition of the subsidiary during the year is as follows:

Cash and bank balances acquired	(25)
Net outflow of cash and cash equivalents included in cash flows from investing activities	59,454

(3) Bairun

In January 2010, Zhufu, a non-wholly-owned subsidiary of the Company completed the acquisition of a 100% equity interest in Bairun, a property development company located in Shanghai City, the PRC.

The fair values of the identifiable assets and liabilities of Bairun as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Property, plant and equipments *(Note 16)*	1,015
Prepaid land lease payments *(Note 18)*	467,997
Properties held or under development for sale	181,749
Prepayments and other current assets	427
Other receivables	3,433
Accounts receivable	21,118
Cash and bank balances	205
Deferred tax liabilities *(Note 34)*	(56,001)
Accounts payable	(500,678)
Other payables and accruals	(110,698)
Other interest-bearing borrowings	(115,991)
Total identifiable net liabilities at fair value	(107,424)
Goodwill on acquisition *(Note 19)*	164,348
Total consideration	56,924
Less: Cash consideration payable to original shareholder	20,492
Satisfied by:	
Cash	36,432

An analysis of the cash flows in respect of the acquisition of the subsidiary during the year is as follows:

Cash and bank balance acquired	(205)
Net outflow of cash and cash equivalents included in cash flows from investing activities	36,227

Though there was a contingent consideration of RMB40 million depending upon actual settlement of liabilities and assets of Bairun, as at date of acquisition and 31 December 2010, the Group considered it is unlikely to pay any contingent consideration in the future.

(4) Zhongqing

In April 2010, Shangzhi Real Estate, a non-wholly-owned subsidiary of the Company completed the acquisition of a 100% equity interest in Zhongqing, a property development company located in Wuxi City, the PRC.

The fair values of the identifiable assets and liabilities of Zhongqing as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Property, plant and equipments *(Note 16)*	105
Prepaid land lease payments *(Note 18)*	104,296
Properties held or under development for sale	2,497
Prepayments and other current assets	2,275
Other receivables	27
Cash and bank balances	13,122
Deferred tax liabilities *(Note 34)*	(3,643)
Other payables and accruals	(11,436)
Total identifiable net assets at fair value	107,243
Goodwill on acquisition *(Note 19)*	15,617
Total consideration	122,860
Satisfied by:	
Cash	122,860

An analysis of the cash flows in respect of the acquisition of the subsidiary during the year is as follows:

Cash and bank balance acquired	(13,122)
Net outflow of cash and cash equivalents included in cash flows from investing activities	109,738

(5) Cheswing Limited

In December 2010, Sinopower, a wholly-owned subsidiary of the Company completed the acquisition of a 100% equity interest in Cheswing Limited, hold 100% equity interest in a PRC subsidiary, which holds a property development company located in Jiaxing City, the PRC.

The fair values of the identifiable assets and liabilities of Cheswing Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Property, plant and equipments *(Note 16)*	143
Prepaid land lease payments *(Note 18)*	390,533
Properties held or under development for sale	22,328
Other receivables	1,746
Cash and bank balances	23,659
Deferred tax liabilities *(Note 34)*	(77,027)
Accounts payable	(12,934)
Other payables and accruals	(35,641)
Total identifiable net assets at fair value	312,807
Gain on bargain purchase of subsidiaries *(Note 6)*	(28,940)
Total consideration	283,867
Satisfied by:	
Prepayments used to settle purchase consideration	283,867

An analysis of the cash flows in respect of the acquisition of the subsidiary during the year is as follows:

Cash and bank balance acquired	(23,659)
Net inflow of cash and cash equivalents included in cash flows from investing activities	(23,659)

None of the goodwill recognised is expected to be deductible for income tax purposes.

No significant profit or loss or revenue contributed by acquired entities as the properties of these companies are still under development or pre-sale as at 31 December 2010.

Had all these business combinations taken place at the beginning of the year ended 31 December 2010, the impact on the Group's revenue and operating result was minimal.

45. RELATED PARTY TRANSACTIONS

Group

In addition to the related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties.

SRE Investment Holding Limited owned 34.64% of the Company's shares as at 31 December 2010 (34.64% as at 31 December 2009). The remaining 65.36% of the shares are held by various different shareholders.

(a) Related party transactions during the year:

i) Sales to and purchases from associates

	2010	2009
Portion of the Group's consideration for purchase of land plots (developed by CNTD) that CNTD is entitled to receive (i)	–	329,070
Construction of infrastructure for an intelligent network for CNTD (ii)	–	–
Sale of goods to Broadband (ii)	3,912	4,074
Purchase goods from New Technology(ii)	3,052	–

(i) During the period from 1 January 2009 to 9 September 2009, the Group purchased one parcel of land, developed by CNTD, through public bidding procedures conducted by the relevant government authorities for the purpose of property development. The total purchase considerations for such parcels of land were HK$479,346 thousand. As a result, according to the arrangements between government authorities and CNTD, CNTD is entitled to receive, from the government authorities, an agreed portion of the purchase considerations for such parcels of land.

(ii) The sales were based on negotiated prices.

ii) Loan guarantee

	2010	2009
The Group's bank borrowings guaranteed by Mr. Shi Jian (Chairman) *(Note 31)*	176,272	400,000

iii) Compensation of key management personnel of the Group

	2010	2009
Salaries and other short-term employee benefits	22,311	15,309
Share-based payments (Management Grant)	4,540	1,924
	26,851	17,233

iv) Sales of properties to key management personnel and their close family members of the Group

	2010	2009
Sales of properties #	7,975	–
	7,975	–
Advance from customer – key management of the group in relation of properties sales	1,653	–

The sales of properties were based on negotiated contract prices.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets	**2010**	**2009**
Loans and receivables		
– Amounts due from associates	8,113	1,825
– Other receivables	1,186,348	1,329,071
– Accounts receivable	717,463	507,687
– Cash and bank balances	5,402,966	4,602,822
Financial assets at fair value through profit or loss		
– Derivative financial asset	55,894	–
	7,370,784	6,441,405

Financial liabilities	**2010**	**2009**
Financial liabilities at amortised cost		
– Interest-bearing bank and other borrowings	12,032,582	7,532,507
– Guaranteed senior notes, non-current portion	557,322	552,463
– Guaranteed senior notes, current portion	–	95,813
– Convertible bonds-host debts	354,548	312,219
– Accounts payable	3,358,631	3,176,373
– Amounts due to associates	–	11,358
– Others	2,009,344	2,031,602
	18,312,427	13,712,335

Company

Financial assets	**2010**	**2009**
Loans and receivables		
– Dividends receivable from subsidiaries	886,004	727,651
– Advances to subsidiaries	2,153,125	1,346,117
– Other receivables	–	86
– Cash and bank balances	158,162	84,821
	3,197,291	2,158,675

Financial liabilities	**2010**	**2009**
Financial liabilities at amortised cost		
– Interest-bearing bank and other borrowings	1,152,002	339,316
– Guaranteed senior notes	557,322	552,463
– Convertible bonds-host debts	354,548	312,219
– Others	516,913	25,315
	2,580,785	1,229,313

47. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group enters into a derivative financial instrument with a counterparty. The call option is measured using valuation techniques including the Binomial Lattice model. The model incorporates various inputs including the value of the underlying equity interest. The carrying amount of the call option is the same as its fair value.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

As at 31 December 2010

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial asset	–	–	55,894	55,894

The movements in fair value measurements in Level 3 during the year are as follows:

	2010
Derivative financial asset	
At 1 January 2010	–
Addition	62,072
Total losses recognised in the income statement included in other income	(6,178)
At 31 December 2010	55,894

The Group did not have any financial assets or financial liabilities measured at fair value as at 31 December 2009.

During the year, there were no transfers at fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009: Nil).

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2010 and 31 December 2009.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, convertible bonds, guaranteed senior notes, other interest-bearing loans, and cash and bank deposits. The main purpose of these financial instruments is to raise funds to finance the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The Group does not enter into derivative transactions for trading purposes, the derivative instrument held by the Group is a call option held by the Group for a possible future acquisition of a non-controlling interest. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayment of the borrowings are disclosed in Note 31.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings). The Group's and the Company's equity is not affected, other than the consequential effect on retained profits (a component of the Group's and the Company's equity) by the changes in profit before tax.

	Group		Company	
	2010 Impact on profit before tax	2009 Impact on profit before tax	2010 Impact on profit before tax	2009 Impact on profit before tax
Changes in variables – RMB interest rate				
+ 50 basis points	(49,209)	(32,675)	–	–
– 50 basis points	49,209	32,675	–	–
Changes in variables – HK$ interest rate				
+ 50 basis points	(5,515)	(3,300)	(5,515)	(1,300)
– 50 basis points	5,515	3,300	5,515	1,300

Foreign currency risk

Most of the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk with only limited exposure arising primarily with respect to cash at banks, guaranteed senior notes, convertible bonds, bank borrowings, etc. denominated in United States dollars ("US$") or Hong Kong dollars ("HK$").

Renminbi is not a freely convertible currency. The conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and the HK$ exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's and the Company's equity is not affected, other than the consequential effect on retained profits (a component of the Group's and the Company's equity) by the impact on profit before tax as disclosed below.

	Group		Company	
	2010 Impact on profit before tax	2009 Impact on profit before tax	2010 Impact on profit before tax	2009 Impact on profit before tax
Changes in exchange rate of US$ against Renminbi				
+ 5%	(29,457)	(26,889)	(30,251)	(27,741)
– 5%	29,457	26,889	30,251	27,741
Changes in exchange rate of HK$ against Renminbi				
+ 5%	(67,598)	(32,405)	(73,097)	(13,379)
– 5%	67,598	32,405	73,097	13,379

Credit risk

Credit risk arises from cash at banks, accounts receivable, other receivables and amounts due from associates, the balances of which represent the maximum credit risk exposure of the Group. For the sale of developed properties to retail customers, consideration would be settled in cash or customers' purchase would be financed by mortgage loans provided by banks. Receivable balances are monitored on an on-going basis, other than the significant receivables in Note 26 and Note 27, there is no other significant concentration of credit risk within the Group as other debtors of the Group's receivables are widely dispersed and the majority of the Group's financial assets are cash at banks as at 31 December 2010.

The table below shows the maximum exposure to credit risk for the assets subject to credit risk at the end of the reporting period. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancement.

	Group		Company	
	2010	2009	2010	2009
Financial assets				
Derivative financial asset	55,894	–	–	–
Loans and receivables				
– Dividends receivable from subsidiaries	–	–	886,004	727,651
– Advances to subsidiaries	–	–	2,153,125	1,346,117
– Amounts due from associates	8,113	1,825	–	–
– Other receivables	1,186,348	1,329,071	–	86
– Accounts receivable	717,463	507,687	–	–
– Cash at banks	5,401,072	4,601,002	158,147	84,790
Total credit risk exposure	7,368,890	6,439,585	3,197,276	2,158,644

Liquidity risk

The Group maintains sufficient liquidity at all times with a financial planning system which is used to monitor the Group's future state of liquidity as is evident from the results of the Group's strategic and planning process. A 12-month forecast of fund requirements is updated monthly for the latest development.

Other than properties developed for sale, the Group also develops and holds properties for long-term operation, such as hotel properties and investment properties. Such long-term assets have constituted an increasing proportion of total assets in recent years, which bring liquidity risk to the Group. In order to mitigate the liquidity risk, the Group adjusted its financing strategy to get more long-term borrowings and increase equity, through the issuance of convertible bonds, as well as new shares.

The Group has developed strategic relationship with certain major state-owned banks that will normally provide financing to the Group when approval from the relevant government authorities for the commencement of a project is obtained. The Group also seeks financing from overseas markets through close cooperation with several world-wide bankers.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2010					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Interest-bearing bank and other borrowings	201,060	147,017	3,602,461	6,935,031	3,667,940	14,553,509
Guaranteed Senior Notes	–	–	47,972	628,151	–	676,123
Convertible bonds	–	15,756	15,756	619,746	–	651,258
Accounts payable	692,987	16,192	2,169,309	480,143	–	3,358,631
Others	298,666	3,916	681,214	999,426	6,092	1,989,314
	1,192,713	182,881	6,516,712	9,662,497	3,674,032	21,228,835

	2009					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Interest-bearing bank and other borrowings	–	373,487	1,580,786	4,760,896	2,443,877	9,159,046
Guaranteed Senior Notes	104,572	–	47,797	673,667	–	826,036
Convertible bonds	–	15,227	15,227	629,365	–	659,819
Accounts payable	543,610	428,506	1,846,099	358,158	–	3,176,373
Others	441,699	28,175	1,561,728	–	–	2,031,602
	1,089,881	845,395	5,051,637	6,422,086	2,443,877	15,852,876

Company

	2010					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	–	5,630	994,260	172,360	–	1,172,250
Guaranteed Senior Notes	–	–	47,972	628,151	–	676,123
Convertible bonds	–	15,756	15,756	619,746	–	651,258
Others	–	–	501,663	–	–	501,663
	–	21,386	1,559,651	1,420,257	–	3,001,294

	2009					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	–	1,476	51,701	317,104	–	370,281
Guaranteed Senior Notes	–	–	47,797	673,667	–	721,464
Convertible bonds	–	15,227	15,227	629,365	–	659,819
Others	10,000	15,311	–	–	–	25,311
	10,000	32,014	114,725	1,620,136	–	1,776,875

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques (Note 2.4).

The Group's financial assets mainly include cash and bank balances, receivables and derivative financial asset.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings, guaranteed senior notes, convertible bonds and payables.

Except as indicated below, the fair values of the Group's and the Company's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

Group

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Guaranteed senior notes	557,322	493,621	648,276	592,577
Convertible bonds-host debts	354,548	443,726	312,219	371,041

Company

	2010		2009	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Guaranteed senior notes	557,322	493,621	552,463	488,005
Convertible bonds-host debts	354,548	443,726	312,219	371,041

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

As the Group is mainly engaged in the development of properties and large-scale new towns, it needs substantial amount of funds. The Group monitors capital using a gearing ratio, as defined by management for capital management purposes, which is net debt divided by the total capital plus net debt.

For capital management purposes, the Group has changed the way the net debt and equity were defined before in the calculation of gearing ratio to be more in line with industry practice since year 2010. Net debt includes interest-bearing bank and other borrowings, Guaranteed Senior Notes and liability components (host debts) of convertible bonds and excludes trade and other payables. Equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2010	**2009**
Interest-bearing bank and other borrowings (Note 31)	12,032,582	7,532,507
Convertible bonds – host debts (Note 35)	354,548	312,219
Guaranteed Senior Notes (Note 32)	557,322	648,276
Less: Cash and bank balances (Note 28)	(5,402,966)	(4,602,822)
Net debt	7,541,486	3,890,180
Equity attributable to owners of the parent	8,544,783	8,191,741
Non-controlling interests	2,782,378	3,115,939
Capital	11,327,161	11,307,680
Capital and net debt	18,868,647	15,197,860
Gearing ratio	40%	26%

49. 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 has been passed by the independent shareholders at the Special General Meeting held on 27 January 2011.

50. COMPARATIVE AMOUNTS

As further explained in Note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2011."

3. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 March 2011, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the borrowings of the Group were as follows:

	HK$'000
Short-term bank borrowings – Secured	1,050,152
Other short-term borrowings – Unsecured	131,077
Long-term bank borrowings, current portion – Secured	1,509,041
Other long-term borrowings, current portion – Secured	53,474
Other long-term borrowings, current portion – Unsecured	152,360
Borrowings, current portion	**2,896,104**
Long-term bank borrowings – Secured	8,649,207
Other long-term borrowings– Secured	463,663
Other long-term borrowings– Unsecured	111,077
Borrowings, non-current portion	**9,223,947**
Unsecured convertible bonds – liability portion	372,001
Long-term guaranteed notes	566,958
Total	**13,059,010**

Pledge of assets

At the close of business on 31 March 2011, the Group had pledged the following amounts of assets to secure the borrowings of the Group:

	HK$'000
Pledged bank deposit	1,108,935
Leasehold land and properties under development for sale	6,887,591
Investment properties	6,821,853
Properties, plant and equipments	1,394,628
Total	**16,213,007**

Save for the above, the Group had also pledged 100% equity interest in Bairun with a cost of approximately HK$59 million and 98% equity interest in Jinwu with a cost of approximately HK$494 million as collateral for long-term borrowings and banking facilities.

Contingent liabilities

Under the relevant PRC Laws, Shanghai Shangzhi Real Estate Development Co. Ltd. ("Shangzhi Real Estate") is jointly liable for all outstanding debts and amounts payable to creditors of Shanghai Mengshan Real Estate Co., Ltd. ("Mengshan"), a former indirect 29.91% owned subsidiary of the Company, that were in existence prior to the de-merger of Mengshan in October 2008. Such debts/amounts owing to creditors of Mengshan that Shangzhi Real Estate is jointly liable for as at 31 March 2011 amounted to approximately HK$593,023.

Commitments

	HK$'000
Contracted, but not provided for	
Investment property under construction	4,630
Land infrastructure under development	2,448,474
Properties held or under development for sale	1,902,413
Property, plant and equipment and leasehold land	585,193
	4,940,711
Authorised, but not contracted for	
Investment property under construction	172,033
Land infrastructure under development	5,676,328
Properties held or under development for sale	1,201,912
Property, plant and equipment and leasehold land	2,976,321
	10,026,594
	14,967,305

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payable in the ordinary course of business of the Group, as at the close of business on 31 March 2011, the Group did not have any outstanding indebtedness in respect of any loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchases commitments, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

The following is the text of the letter, summary of values and valuation certificates received from Jones Lang LaSalle Sallmanns Limited in connection with its valuation as at 31 March 2011 of the property interests of the Group other than the CNTD Group, which has been prepared for the purpose of incorporation into this circular.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

26 May 2011

The Board of Directors
SRE Group Limited
Room 2501, 25th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which SRE Group Limited (the "Company") and its subsidiaries (other than the CNTD Group, hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests of the Group as at 31 March 2011 (the "date of valuation"). The Company has confirmed that none of its associated companies hold property assets.

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests of properties Nos. 3 to 6 in Group II which are held by the Group for investment, properties in Group III which are held by the Group for sale and Group V which are held by the Group for future development by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For the purpose of our valuation, real estate developments for future development are those for which Construction Work Commencement Permits have not been issued while the State-owned Land Use Rights Certificates have been obtained; real estate developments for sale are those for which Construction Work Certified Reports or Certificates of Completion or Building Ownership Certificates/ Real Title Certificates thereof have been issued by the relevant local authority, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed.

We have valued the property interest in Group I which is held and operated by the Group and the remaining property interests in Group II which are held by the Group for investment by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

In valuing the property interests in Group IV which were under development as at the date of valuation, we have assumed they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees expected to be incurred for completing the development.

For the purpose of our valuation, real estate developments under development are those the Construction Work Commencement Permits have been issued while the Construction Work Certified Reports or Certificates of Completion of the buildings thereof are not issued.

For the property interest to be acquired by the Group in Group VI, the Group has entered into agreements with relevant owners of the property or the relevant government authorities. Since the Group has not yet obtained the State-owned Land Use Rights Certificate and/or the payment of the land premium has not yet been fully settled as at the date of valuation, we have attributed no commercial value to the property interest.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties include:

(a) Business tax at a rate of 5% of consideration for the property in the PRC;

(b) Profits tax on the profit from the sale at a rate of 25% for the property in the PRC; and

(c) Land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation.

As advised by the Group, it is expected that the relevant tax will be crystalised in the future for the properties in Group III, IV and V. For the properties in Group I and II, the likelihood of any potential tax liability being crystalised is remote as the Group has no intention to sale these properties.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Yan Yiming Law Firm (上海嚴義明律師事務所), concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been undertaken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited

Paul L. Brown
B.Sc. FRICS FHKIS
Chief Valuation Adviser

Sam B. Q. Zhu
MRICS
Director

Note:

1. Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

2. Sam B. Q. Zhu is a Chartered Surveyor who has 13 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

Group I – Property interest held and operated as hotel by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
1.	Shanghai Skyway Hotel No.15 Dapu Road Luwan District Shanghai The PRC	1,240,260,000	58.34%	723,568,000
	Sub-total:	**1,240,260,000**		**723,568,000**

Group II – Property interests held by the Group for investment in the PRC

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
2.	Levels 1 to 2 and Basement 1 Rich Gate Nos. 1 to 6 of Lane 222 Madang Road Luwan District Shanghai The PRC	1,075,500,000	100%	1,075,500,000
3.	Units 102, 103 and 105 of 915 Building, Levels 1 to 2 of Office Block 1, Levels 1 to 3 of Retail Block 5 and Blocks 2, 3, 7,8 and 128 underground car parking lots Oasis Middlering Centre Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	562,034,000	95.79%	538,372,000
4.	Office Block 2 Oasis Middlering Centre Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	718,172,000	95.79%	687,937,000

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
5.	Six units of Jing'an International Plaza No. 172 Yuyuan Road Jing'An District Shanghai The PRC	16,370,000	98%	16,043,000
6.	Rich Gate Shopping Mall No.118 Harbin Road Shenhe District Shenyang City Liaoning Province The PRC	2,780,000,000	60%	1,668,000,000
	Sub-total:	**5,152,076,000**		**3,985,852,000**

Group III – Property interests held for sale by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
7.	Two villas of Oasis Beverly Garden Lane 366 Minghua Road Songjiang District Shanghai The PRC	49,000,000	98.75%	48,388,000
8.	Two villas of Oasis Southern Garden Lane 88 Zhonggu Road Zhujiajiao Town Qingpu District Shanghai The PRC	177,573,000	50.3625%	89,430,000

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
9.	3 unsold residential units and 75 car parking lots of Huangpu Huating Phase I Blocks nos. 1 to 5 Lane 99 Baotun Road Huangpu District Shanghai The PRC	37,167,000	50.36%	18,717,000
10.	Room 604 on level 6 of a residential building No. 6 Lane 620 Kunyang Road Minhang District Shanghai The PRC	873,000	50.36%	440,000
11.	Room 301 on level 3 of a residential building No. 93 Lane 501 Bijiang Road Minhang District Shanghai The PRC	599,000	50.36%	302,000
12.	Room 401 on level 4 of a residential building No. 87 Lane 501 Bijiang Road Minhang District Shanghai The PRC	605,000	50.36%	305,000
13.	Room 404 on level 4 of a residential building No. 75 Lane 401 Bijiang Road Minhang District Shanghai The PRC	606,000	50.36%	305,000
14.	Rooms 103 and 104 on level 1 of a residential building No. 4 Lane 291 Jiangchuan Road Minhang District Shanghai The PRC	665,000	50.36%	335,000

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
15.	Room 503 on level 5 of a residential building No. 3 Lane 291 Jiangchuan Road Minhang District Shanghai The PRC	688,000	50.36%	346,000
16.	Room 103 on level 1 of a residential building No. 87 Lane 191 Huaning Road Minhang District Shanghai The PRC	437,000	50.36%	220,000
17.	Room 601 on level 6 of a residential building No. 57 Lane 50 Jianchuan Road Minhang District Shanghai The PRC	665,000	50.36%	335,000
18.	Unit 2001 and 84 Car parking lots of Rich Gate No. 5 Lane 222 Madang Road Luwan District Shanghai The PRC	110,481,000	51.48%	56,876,000
19.	Unit 601 of Rich Gate No. 6 Lane 222 Madang Road Luwan District Shanghai The PRC	49,287,000	100%	49,287,000
20.	Unit 2101 of Rich Gate No. 1 Lane 222 Madang Road Luwan District Shanghai The PRC	109,180,000	100%	109,180,000
21.	15 units of Oasis Albany Nos. 699 Zhong Xing Road Zhabei District Shanghai The PRC	170,000,000	99.42%	169,014,000

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
22.	11 units of Long Island Garden Lane 1288 Xinsong Road Songjiang District Shanghai The PRC	25,000,000	98.75%	24,688,000
23.	Meilan Lake Garden Phase I located at Lane 18 Meidan Road Baoshan District Shanghai The PRC	51,794,000	99%	51,276,000
24.	214 townhouse units and a club house in the completed group of Shenyang You Mountains Phase IA located at the town of Lee Sang Lane Dongling District Shenyang City Liaoning Province The PRC	409,240,000	98.95%	404,943,000
25.	Bund Center Haikou Phase IA and Phase IB No. 18 Taihua Road Longhua District Haikou City Hainan Province The PRC	1,287,000,000	79%	1,016,730,000
26.	64 unsold units and 423 car parking lots of Jin Shan Rich Gate No. 118 Hangzhou Bay Road Jin Shan District Shanghai The PRC	429,000,000	98.75%	423,638,000
	Sub-total:	**2,909,860,000**		**2,464,755,000**

Group IV – Property interests held under development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
27.	Oasis Albany No.699 Zhong Xing Road Zhabei District Shanghai The PRC	2,744,000,000	100%	2,744,000,000
28.	Meilan Lake Garden Phase II and III located at Lane 18 Meidan Road Baoshan District Shanghai The PRC	1,221,000,000	99%	1,208,790,000
29.	Island of the Original Villa Lane 88 Mei Fung Road Baoshan District Shanghai The PRC	1,997,000,000	98.75%	1,972,038,000
30.	Shenyang You Mountains Phase IB located at the town of Lee Sang Lane Dongling District Shenyang City Liaoning Province The PRC	681,000,000	98.95%	673,850,000
31.	Shenyang Albany located at the eastern side of South Heping Road Heping District Shenyang City Liaoning Province The PRC	768,000,000	90%	691,200,000
32.	Phase IC of the Bund Center Haikou No. 18 Taihua Road Longhua District Haikou City Hainan Province The PRC	137,990,000	79%	109,012,000

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
33.	Jiangnan Richgate located at the western side of Xinhong Road, the northern side of Xiyi Road, the eastern side of NS3 Road and the southern side of EW1 Road Wuxi City Jiangsu Province The PRC	145,385,000	98.75%	143,568,000
34.	A residential project located at the northern side of Tanxiang Road the southern side of Huanhu Road Nanhu District Jiaxing City Zhejiang Province The PRC	153,450,000	100%	153,450,000
35.	A parcel of land and an office building under construction located at Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	377,600,000	95.79%	361,703,000
	Sub-total:	**8,225,425,000**		**8,057,611,000**

Group V – Property interests held by the Group for future development in the PRC

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
36.	A parcel of land located at Lane 3888 Kunyang Western Road Maqiao Town Minhang District Shanghai The PRC	285,000,000	27.69%	78,917,000
37.	A parcel of land (Lot 47/19 Qiu No. 1 Jiefang out of Qunei Town) located at the eastern side of Yongfa Road Pudong New District Shanghai The PRC	201,740,000	98.75%	199,218,000
38.	A parcel of land (Lot 47/8 Qiu No. 1 Jiefang out of Qunei Town) located at the eastern side of Yongfa Road Pudong New District Shanghai The PRC	104,050,000	98.75%	102,749,000
39.	A parcel of land known as Phase II of Huangpu Huating located at the western side of South Chezhan Road, the southern side of Xietu Road, the eastern side of Baotun Road and the northern side of Phase I of Huangpu Huating Huangpu District Shanghai The PRC	682,000,000 (in clear site state)	50.36%	343,455,000 (in clear site state)
40.	A parcel of land No. 18 Taihua Road Longhua District Haikou City Hainan Province The PRC	1,714,000,000	79%	1,354,060,000

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
41.	A parcel of land located at the northern side of Guangchang Bei Road the eastern side of Huanhu Road Nanhu District Jiaxing City Zhejiang Province The PRC	214,000,000	100%	214,000,000
42.	A parcel of land located at the southern side of EW2 Road, the western side of NS4 Road, the northern side of EW3 Road and the eastern side of Xinhong Road Wuxi City Jiangsu Province The PRC	No commercial value	98.75%	No commercial value
43.	A parcel of land of Shenyang You Mountains phase IC located at the town of Lee Sang Lane Dongling District Shenyang City Liaoning Province The PRC	10,460,000	98.95%	10,350,000
	Sub-total:	**3,211,250,000**		**2,302,749,000**

Group VI – Property interest contracted to be acquired by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 *RMB*
44.	A parcel of land located at the eastside of Daxing Road Huangpu District Shanghai The PRC	No commercial value	100%	No commercial value
	Sub-total:	**Nil**		**Nil**
	Grand total:	**20,738,871,000**		**17,534,535,000**

VALUATION CERTIFICATE

Group I – Property interest held and operated as hotel by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
1.	Shanghai Skyway Hotel No.15 Dapu Road Luwan District Shanghai The PRC	Shanghai Skyway Hotel occupies a parcel of land with a site area of approximately 14,279 sq.m. and was completed in 2006. Shanghai Skyway Hotel is a 52-storey hotel building plus a 2-storey basement together having a total gross floor area of approximately 99,491.35 sq.m. The hotel has 653 guest rooms and the 2-storey basement is partially for car parking use and partially as restaurant. The hotel's trial operation started on 28 April 2007. It was designed as a five-star hotel with guest rooms, restaurants, bars, and other ancillary facilities including meeting rooms, fitness center, business center, SPA and a swimming pool. The land use rights of the property have been granted for a term of 40 years expiring on 21 July 2042 for hotel use.	The property is currently held by Skyway Hotel Company and managed by Accor Hotel Group as hotel.	1,240,260,000 58.34% interest attributable to the Group: RMB723,568,000

Notes:

1. Shanghai Skyway Hotel Co., Ltd ("上海斯格威大酒店有限公司, Skyway Hotel Company") is a 58.34% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Lu Zi (2009) Di No. 000238 dated 11 February 2009, a building with a gross floor area of approximately 94,385.44 sq.m. is owned by Skyway Hotel Company and the relevant land use rights of the building with a site area of approximately 14,279 sq.m. have been granted to Skyway Hotel Company for a term of 40 years expiring on 21 July 2042 for hotel use.

3. Pursuant to an appendix of the aforesaid Real Estate Title Certificate, Levels 4, 20 and 36 of the property used as refuge and facility storey with a total gross floor area of approximately 5,105.91 sq.m. are exclusive of the registered area.

4. Pursuant to a Management Agreement dated 19 January 2009 entered into between Skyway Hotel Company and Accor Hotel Group, Accor Hotel Group has taken charge of the management of Shanghai Skyway Hotel since 1 March 2009 for a term of 10 years. The management fees include basic management fee and incentive management fee.

5. Pursuant to a Mortgage Agreement dated 10 March 2009 entered into between Shanghai Huangpu Sub-branch Industrial and Commercial Bank (the "Bank") and Skyway Hotel Company, the property was mortgaged to the Bank as security for a loan in the amount of RMB1,300,000,000.

6. According to the financial information provided by Skyway Hotel Company, the average room rate is RMB759 per room per day and the average occupancy rate is 67% in 2010. Pursuant to the Shanghai Statistical Yearbooks 2009, the average market room price and occupancy rate of the five-star hotel in Shanghai are RMB1,010 per room per day and 53.5% respectively.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Skyway Hotel Company is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Skyway Hotel Company has the rights to transfer the property but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured. Skyway Hotel Company has the rights to freely lease or operate the property.

VALUATION CERTIFICATE

Group II – Property interests held by the Group for investment in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
2.	Levels 1 to 2 and Basement 1 Rich Gate Nos. 1 to 6 of Lane 222 Madang Road Luwan District Shanghai The PRC	The property comprises Levels 1, 2 and Basement 1 of three 20/21-storey residential buildings completed in about 2006. The property has a total gross floor area of approximately 11,330.31 sq.m., the details of which are as follows: **Location** — **Gross Floor Area** *(sq.m.)* Above ground — 5,322.57 Under ground — 5,014.85 Common area (un-leasable) — 992.89 **Total: — 11,330.31** The land use rights of the property have been granted for a term expiring on 27 February 2072 for residential use.	As at the date of valuation, portions of the property with a total lettable area of approximately 9,997.10 sq.m. were leased to various parties for retail use (refer to note 3) and a unit with a lettable area of approximately 86.09 sq.m. was occupied by Shenyang Huajian for office use, whilst the remaining unit was vacant.	1,075,500,000 100% interest attributable to the Group: RMB1,075,500,000

Notes:

1. Shenyang Huajian Real Estate Co., Ltd ("瀋陽華建置業有限公司, Shenyang Huajian") is a wholly-owned subsidiary of the Company.

2. Pursuant to 3 Shanghai Real Estate Title Certificates – Hu Fang Di Lu Zi (2007) Nos. 001027 to 001029 dated 9 February 2007, the property with a total gross floor area of approximately 11,330.31 sq.m. is owned by Shenyang Huajian and the relevant land use rights of a parcel of land with a site area of approximately 14,651 sq.m. have been granted to Shenyang Huajian for a term expiring on 27 February 2072 for residential use.

3. Pursuant to 15 Tenancy Agreements, portions of the property with a total lettable area of approximately 9,997.10 sq.m. was leased to various tenants as at the date of valuation for various terms with the expiry dates between 30 September 2011 and 31 January 2016 at a total monthly rental of approximately RMB5,497,000 exclusive of management fees, water and electricity charges.

4. Pursuant to a Mortgage Agreement dated 21 May 2009 entered into between Luwan Sub-branch Bank of China Limited (the "Bank") and Shenyang Huajian, the property was mortgaged to the Bank as security for a loan in the amount of RMB 600,000,000.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shenyang Huajian is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Shenyang Huajian has the rights to transfer the property but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured. Shenyang Huajian has the rights to freely lease or operate such property. When Shenyang Huajian sells the property to another party, the tenants of the property have pre-emptive right to purchase the property from Shenyang Huajian on the same terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
3.	Units 102,103 and 105 of 915 Building, Levels 1 to 2 of Office Block 1, Levels 1 to 3 of Retail Block 5 and Blocks 2, 3, 7, 8 and 128 underground car parking lots Oasis Middlering Centre Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	Oasis Middlering Centre ("OMC") is a large commercial complex comprising eight office/retail buildings completed in 2008. The details of the 8 buildings are listed as follows: **Building** / **Usage** / **Storey** Office Block 1 / office/retail / 24 Office Block 2 / office/retail / 24 Retail Block 5 / office/retail / 6 Retail Blocks 3, 7 / retail / 3 Retail Blocks 2, 8 / retail / 6 915 Building / office/retail / 20 The property comprises the retail portion of OMC, including 3 units of 915 Building, Levels 1 to 2 of Office Block 1, Levels 1 to 3 of Retail Block 5 and Blocks 2, 3, 7, 8 and 128 underground car parking lots on Basement Level 1 together having a total gross floor area of approximately 37,930.98 sq.m. The land use rights of the property have been granted for a term expiring on 13 January 2055 for office and commercial uses.	As at the date of valuation, various portions of the property with a total lettable area of approximately 10,957.4 sq.m. were leased to various parties for commercial use (refer to note 3) and approximately 4,739 sq.m. were temporarily occupied by various individual retail operators at nil rent for business trial purpose, whilst the remaining portion of the property was vacant.	562,034,000 95.79% interest attributable to the Group: RMB538,372,000

Notes:

1. Shanghai Jinwu Real Estate Co., Ltd. ("上海金午置業有限公司, Jinwu Development") is a 95.79% owned subsidiary of the Company.

2. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Pu Zi (2009) No 021698 dated 16 July 2009, Office Blocks 1 and 2, Retail Blocks 2, 3, 5, 7, 8 and 915 Building together having a total gross floor area of approximately 161,199.83 sq.m. (including the property) are owned by Jinwu Development and the relevant land use rights of a parcel of land with a site area of approximately 47,707 sq.m. have been granted to Jinwu Development for a term expiring on 13 January 2055 for office and commercial uses.

3. Pursuant to 11 Tenancy Agreements, portions of the property with a total lettable area of approximately 10,957.4 sq.m. were leased to various tenants as at the date of valuation for various terms with the expiry dates between 14 October 2012 and 28 February 2026 at a total monthly rental of approximately RMB789,000 exclusive of management fees, water and electricity charges.

4. As advised by the Company and according to the opinion provided by the Company's PRC legal adviser, the equity interest in Jinwu Development held by the Company has been pledged to Shanghai International Trust Co., Ltd. However, since the equity interest in Jinwu Development was still vested in the Company as at the date of valuation, we have been instructed that the equity interest in Jinwu Development held by the Company is still 95.79%.

5. Pursuant to a Mortgage Contract, the property is subject to a mortgage in favour of Agriculture Bank of China Jing'an Sub-Branch (the "Bank"), as security to guarantee the principal obligation under a loan contract entered into between the Bank and Jinwu Development for an amount of RMB300,000,000 with a security term of 10 years expiring on 22 October 2019.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jinwu Development is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Jinwu Development has the rights to transfer the property but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured. Jinwu Development has the rights to freely lease or operate such property. When Jinwu Development sells the property to another party, the tenants of the property have pre-emptive right to purchase the property from Jinwu Development on the same terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
4.	Office Block 2 Oasis Middlering Centre Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	Office Block 2 of Oasis Middlering Centre is a 22-storey office building plus a 2-storey commercial podium completed in 2008. The property comprises the office building and 1,315 underground car parking lots on Basement Level 1 with a total gross floor area of approximately 85,338.28 sq.m. The office building has a gross floor area of approximately 28,292.68 sq.m. and the underground car parking lots has a gross floor area of approximately 57,045.60 sq.m. The land use rights of the property have been granted for a term expiring on 13 January 2055 for office and commercial uses.	As at the date of valuation, various portions of the property with a total lettable area of approximately 16,667.7 sq.m. were leased to various parties (refer to note 3), levels 5 and 26 of the property with a total gross floor area of approximately 3,554.14 sq.m. were temporarily occupied by Jinwu Development, and whilst the remaining portion was vacant.	718,172,000 95.79% interest attributable to the Group: RMB687,937,000

Notes:

1. Shanghai Jinwu Real Estate Co., Ltd. ("上海金午置業有限公司, Jinwu Development") is a 95.79% owned subsidiary of the Company.

2. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Pu Zi (2009) No. 021698 dated 16 July 2009, Office Blocks 1 and 2, Retail Blocks 2, 3, 5, 7, 8 and 915 Building together having a total gross floor area of approximately 161,199.83 sq.m. (including the property) are owned by Jinwu Development and the relevant land use rights of a parcel of land with a site area of approximately 47,707 sq.m. have been granted to Jinwu Development for a term expiring on 13 January 2055 for office and commercial uses.

3. Pursuant to 44 Tenancy Agreements, portions of the property with a total lettable area of approximately 16,667.7 sq.m. were leased to various tenants as at the date of valuation for various terms with the expiry dates between 30 April 2011 and 14 March 2018 at a total monthly rental of approximately RMB1,612,000 exclusive of management fees, water and electricity charges.

4. Pursuant to a Mortgage Contract, the property is subject to a mortgage in favour of Bank of China Jiading Sub-Branch (the "Bank"), as security to guarantee the principal obligation under a loan contract entered into between the Bank and Jinwu Development for an amount of RMB380,000,000 with a security term of 12 years expiring on 20 October 2021.

5. As advised by the Company and according to the opinion provided by the Company's PRC legal adviser, the equity interest in Jinwu Development held by the Company has been pledged to Shanghai International Trust Co., Ltd. However, since the equity interest in Jinwu Development was still vested in the Company as at the date of valuation, we have been instructed that the equity interest in Jinwu Development held by the Company is still 95.79%.

6. As advised by Jinwu Development, whole Level 20 of the property comprising 9 units with a total gross floor area of approximately 1,295.28 sq.m. has been contracted to be sold to various third parties for a total consideration of RMB37,868,598.8 as at the date of valuation but has not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jinwu Development is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Jinwu Development has the rights to transfer the property but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured. Jinwu Development has the rights to freely lease or operate such property. When Jinwu Development sells the property to another party, the tenants of the property have pre-emptive right to purchase the property from Jinwu Development on the same terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
5.	Six units of Jing'an International Plaza No. 172 Yuyuan Road Jing'an District Shanghai The PRC	The property comprises 6 office units (Units 2605, 2606, 26(3a), 2803, 2806 and 28(3a)) on Levels 26 and 28 of a 32-storey office building completed in about 1999. The units have a total gross floor area of approximately 732.34 sq.m. The land use rights of the property have been granted for a term expiring on 15 January 2043 for office use.	As at the date of valuation, 5 units were leased to various third parties for office use (refer to note 3), whilst the remaining unit was occupied by the Group for office use.	16,370,000 98% interest attributable to the Group: RMB16,043,000

Notes:

1. Shanghai Xin Dong Industry Co., Ltd. ("上海信東實業有限公司, Shanghai Xin Dong") is a 98% owned subsidiary of the Company.

2. Pursuant to 2 Real Estate Title Certificates – Hu Fang Di Shi Zi 1999 Di Nos. 004733 and 004734, 6 units with a total gross floor area of approximately 732.34 sq.m. are owned by Shanghai Xin Dong.

3. Pursuant to 4 Tenancy Agreements, 5 units of the property with a total gross floor area of approximately 615.06 sq.m. were leased to various tenants for various terms with the expiry dates between 31 December 2011 and 30 September 2012 at a total monthly rental of approximately RMB64,245 exclusive of management fees, water and electricity charges.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which states that the property is legally owned by Shanghai Xin Dong and could be freely transferred and leased. The property is not subject to any mortgage or other third party interests. When Shanghai Xin Dong sells the property to another party, the tenants of the property have pre-emptive right to purchase the property from Shanghai Xin Dong on the same terms.

VALUATION CERTIFICATE

<table>
<tr><th>No.</th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 31 March 2011
RMB</th></tr>
<tr>
<td>6.</td>
<td>Rich Gate Shopping Mall
No.118
Harbin Road
Shenhe District
Shenyang City
Liaoning Province
The PRC</td>
<td>Rich Gate is a large-scale complex with residential development, office tower, hotel, shopping mall and car-parking facilities.

Rich Gate consists of 3 blocks of high-rise residential buildings, an office tower, a hotel and a 5-storey shopping mall with 2-storey basement completed in 2008.

Rich Gate Shopping Mall is the aforesaid shopping mall plus two levels of basement, comprising Basements 1 to 2 and Levels 1 to 5 with a total gross floor area of approximately 245,252 sq.m.

As advised by the Group, the relevant lettable area of each floor of the property are as follows:

<table>
<tr><th>Level</th><th>Lettable Area
(sq.m.)</th></tr>
<tr><td>B2</td><td>708 (lot)</td></tr>
<tr><td>B1</td><td>112 (lot)</td></tr>
<tr><td>B1</td><td>22,635</td></tr>
<tr><td>F1</td><td>17,308</td></tr>
<tr><td>F2</td><td>19,745</td></tr>
<tr><td>F3</td><td>21,557</td></tr>
<tr><td>F4</td><td>20,789</td></tr>
<tr><td>F5</td><td>19,227</td></tr>
<tr><td>Total:</td><td>121,261</td></tr>
</table>

Basement Level 2 of the property includes 708 car parking lots. Basement Level 1 of the property includes 112 car parking lots.

The land use rights of the property have been granted for a term expiring on 9 June 2045 for commercial use.</td>
<td>As at the date of valuation, various portions of the property with a total lettable area of approximately 92,759.09 sq.m. were leased to various tenants for retail, restaurant and cinema uses (refer to note 5), and whilst the remaining portion with a total lettable area of approximately 28,501.91 sq.m. was vacant and available for lease.</td>
<td>2,780,000,000

60% interest attributable to the Group: RMB1,668,000,000</td>
</tr>
</table>

Notes:

1. Shenyang Huarui Shiji Asset Management Co., Ltd. ("瀋陽華銳世紀資產管理有限公司, Huarui Asset Management") is a 60% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Certificate – Shenyang Guo Yong (2008) No. SH00674, the land use rights of the property with an apportioned land area of approximately 28,520.30 sq.m. have been granted to Huarui Asset Management for a term expiring on 9 June 2045 for commercial use.

3. Pursuant to a Building Ownership Certificate – Shen Fang Quan Zheng Shi Shen He Zi Di No. 12361, the property with a total gross floor area of approximately 245,252 sq.m. is owned by Huarui Asset Management.

4. Pursuant to a Tenancy Agreement entered into between Huarui Asset Management and Shenyang Huarui Commercial Development Management Co., Ltd. (瀋陽華銳商業管理發展有限公司, "Shenyang Huarui Commercial Development", a wholly-owned subsidiary of Huarui Asset Management), the property is leased to Shenyang Huarui Commercial Development for a term commencing from 9 April 2011 and expiring on 8 April 2012. Shenyang Huarui Commercial Development has the full use rights of the property and can legally sublease the property. The total annual rental is approximately RMB45,000,000.

5. As advised by the Group, as at the date of valuation various portions of the property with a total lettable area of approximately 64,001.09 sq.m. were leased by Shenyang Huarui Commercial Development to various tenants with expiry dates between 20 April 2011 and 9 April 2025 at a total monthly rental income of approximately RMB3,300,000 exclusive of management fees, water and electricity charges. Meanwhile, another unit of the property which was under internal decoration work as at the date of valuation with a lettable area of approximately 28,758 sq.m. has been leased by Shenyang Huarui Commercial Development to Shenyang Hanwang Co., Ltd. as a department store for a term commencing from 1 March 2010 and expiring on 31 August 2025 with a fixed rent and a turnover rent.

6. Pursuant to a Mortgage Agreement dated 5 November 2010 entered into between Bank of China Shenyang Branch (the "Bank") and Huarui Asset Management, the property was mortgaged to the Bank as security for a loan in the amount of RMB700,000,000 with a security term of 12 years expiring on 9 November 2022.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Huarui Asset Management is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Huarui Asset Management has the rights to transfer the property but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured. Huarui Asset Management has the rights to freely lease or operate such property. When Huarui Asset Management sells the property to another party, the tenants of the property have pre-emptive right to purchase the property from Huarui Asset Management on the same terms.

VALUATION CERTIFICATE

Group III – Property interests held for sale by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
7.	Two villas of Oasis Beverly Garden Lane 366 Minghua Road Songjiang District Shanghai The PRC	The property comprises 2 villas (Unit 10, No. 1035 and Unit 26, No. 1052) of Oasis Beverly Garden with a total gross floor area of 1,676.55 sq.m. Oasis Beverly Garden is a large residential area development completed in about 2007. The land use rights of the property have been granted for a term of 70 years expiring on 11 June 2073 for residential use.	The property was vacant as at the date of valuation.	49,000,000 98.75% interest attributable to the Group: RMB48,388,000

Notes:

1. Shanghai Oasis Garden Real Estate Co., Ltd. ("上海綠洲花園置業有限公司, Oasis Garden") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Song Zi (2007) No.040828, Oasis Beverly Garden has a total gross floor area of approximately 16,201.22 sq.m. and relevant land use rights have been granted for a term of 70 years for residential use. As advised by the Group, the property is included in the aforesaid Real Estate Title Certificate. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which states that the property is legally owned by Oasis Garden and could be freely transferred and leased. The property is not subject to mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
8.	Two villas of Oasis Southern Garden, Lane 88 Zhonggu Road Zhujiajiao Town Qingpu District Shanghai The PRC	The property comprises 2 villas (No. 702 and No. 808) of Oasis Southern Garden with a total gross floor area of 2,249.69 sq.m. Oasis Southern Garden is a large residential development completed in about 2008. The land use rights of the property have been granted for a term of 70 years expiring on 27 June 2071 for residential use.	The property was vacant as at the date of valuation.	177,573,000 50.3625% interest attributable to the Group: RMB89,430,000

Notes:

1. Shanghai Zhufu Property Development Co., Ltd. ("上海住富房地產發展有限公司, Shanghai Zhufu") is a 50.3625% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Qing Zi (2009) Di No.005596, Oasis Southern Garden has a total gloss floor area of approximately 10,297.08 sq.m. and relevant land use rights have been granted for a term expiring on 27 June 2071 for residential use. As advised by the Group, the property is included in the aforesaid Real Estate Title Certificate. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which states that the property is legally owned by Shanghai Zhufu and could be freely transferred and leased. The property is not subject to mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
9.	3 unsold residential units and 75 car parking lots of Huangpu Huating Phase I Blocks nos.1 to 5 Lane 99 Baotun Road Huangpu District Shanghai The PRC	The property comprises 3 unsold residential units (Units 4#101, 4#103 and 2#3201) in Blocks nos.1 to 5 and the underground car parking lots of Huangpu Huating Phase I together having a total gross floor area of approximately 3,390.01 sq.m., the details of which are as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Residential (3 units): 490.59 Underground car parking lots: 2,899.42 **Total: 3,390.01** Huangpu Huating Phase I is a residential development comprising 5 residential buildings with a total gross floor area of approximately 50,772.55 sq.m. completed in about 2008. The land use rights of the property have been granted for a term of 70 years commencing from 24 April 2003 and expiring on 23 April 2073 for residential use.	The property was vacant as at the date of valuation.	37,167,000 50.36% interest attributable to the Group: RMB18,717,000

Notes:

1. Shanghai Bairun Real Estate Development Co., Ltd ("上海百潤房地產有限公司, Shanghai Bairun") is a 50.36% owned subsidiary of the Company.

2. Pursuant to 2 Shanghai Real Estate Title Certificates – Hu Fang Di Huang Zi (2007) No. 006168 and Hu Fang Di Huang Zi (2010) No. 003395, Block nos. 1 to 5 of Huangpu Huating Phase I with a total gross floor area of approximately 50,772.55 sq.m. are owned by Shanghai Bairun and the relevant land use rights of a parcel of land have been granted to Shanghai Bairun for a term expiring on 23 April 2073 for residential use. As advised by the Group, the residential units of the property is included in the aforesaid Real Estate Title Certificates. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificates have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which states that the property is legally owned by Shanghai Bairun and could be freely transferred and leased. The property is not subject to mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
10.	Room 604 on level 6 of a residential building No. 6 Lane 620 Kunyang Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 6 of a 6-storey residential building with a gross floor area of approximately 75.2 sq.m. completed in 1993.	The property was vacant as at the date of valuation.	873,000 50.36% interest attributable to the Group: RMB440,000
11.	Room 301 on level 3 of a residential building No. 93 Lane 501 Bijiang Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 3 of a 5-storey residential building with a gross floor area of approximately 52.82 sq.m. completed in 1988.	The property was vacant as at the date of valuation.	599,000 50.36% interest attributable to the Group: RMB302,000
12.	Room 401 on level 4 of a residential building No. 87 Lane 501 Bijiang Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 4 of a 5-storey residential building with a gross floor area of approximately 52.86 sq.m. completed in 1988.	The property was vacant as at the date of valuation.	605,000 50.36% interest attributable to the Group: RMB305,000
13.	Room 404 on level 4 of a residential building No. 75 Lane 401 Bijiang Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 4 of a 4-storey residential building with a gross floor area of approximately 52.9 sq.m. completed in 1987.	The property was vacant as at the date of valuation.	606,000 50.36% interest attributable to the Group: RMB305,000
14.	Rooms 103 and 104 on level 1 of a residential building No. 4 Lane 291 Jiangchuan Road Minhang District Shanghai The PRC	The property comprises two residential units on level 1 of a 4-storey residential building with a total gross floor area of approximately 60.52 sq.m. completed in 1958.	The property was vacant as at the date of valuation.	665,000 50.36% interest attributable to the Group: RMB335,000

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
15.	Room 503 on level 5 of a residential building No. 3 Lane 291 Jiangchuan Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 5 of a 6-storey residential building with a gross floor area of approximately 59.22 sq.m. completed in 1995.	The property was vacant as at the date of valuation.	688,000 50.36% interest attributable to the Group: RMB346,000
16.	Room 103 on level 1 of a residential building No. 87 Lane 191 Huaning Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 1 of a 5-storey residential building with a gross floor area of approximately 39.69 sq.m. completed in 1958.	The property was vacant as at the date of valuation.	437,000 50.36% interest attributable to the Group: RMB220,000
17.	Room 601 on level 6 of a residential building No. 57 Lane 50 Jianchuan Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 6 of a 6-storey residential building with a gross floor area of approximately 56.95 sq.m. completed in 1988.	The property was vacant as at the date of valuation.	665,000 50.36% interest attributable to the Group: RMB335,000

Notes:

1. Shanghai Bairun Real Estate Development Co., Ltd. ("上海百潤房地產有限公司, Shanghai Bairun") is a 50.36% owned subsidiary of the Company.

2. Pursuant to 8 Shanghai Real Estate Title Certificates – Hu Fang Di Min Zi (2005) Di Nos. 024254, 024245, 024257, 021762, 024252, 024246, 024247 and 045603, the properties nos. 10 to 17 with a total gross floor area of approximately 450.16 sq.m. are owned by Shanghai Bairun.

3. We have been provided with the real estate title certificates and real estate registration documents in respect of properties nos. 10 to 17, but no information relating to the terms of tenure of the properties can be found in such documents.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which states that the properties nos. 10 to 17 are legally owned by Shanghai Bairun and could be freely transferred and leased. The properties are not subject to mortgage or other third party interests. It is not unusual that no terms of tenure are set out in the title certificates for relevant properties and it has been confirmed with Shanghai Real Estate Trading Centre that no information on the terms of tenure in respect of properties nos.10 – 17 can be found.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
18.	Unit 2001 and 84 Car parking lots of Rich Gate No. 5 Lane 222 Madang Road Luwan District Shanghai The PRC	The property comprises a residential unit and 84 underground car parking lots of Rich Gate with a total gross floor area of 6,335.28 sq.m. **Usage** — **Gross Floor Area** *(sq.m.)* Residential (1 unit) — 500.28 Underground car parking lots — 5,835.00 **Total:** — **6,335.28** The 85 car parking lots are located at the Basement level 1. Rich Gate is a large residential and retail development completed in about 2006. The land use rights of the property have been granted for a term expiring on 27 February 2072 for residential use.	The residential unit was vacant and the car parking lots were temporarily operated by the Group.	110,481,000 51.48% interest attributable to the Group: RMB56,876,000

Notes:

1. Shanghai Anderson Fuxing Land Co., Ltd. ("上海安信復興置地有限公司, Anxin Fuxing") is a 51.48% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Lu Zi (2006) No.002821, the development has a total gloss floor area of approximately 68,022.92 sq.m. (including the property) and relevant land use rights have been granted for a term expiring on 27 February 2072 for residential use. As advised by the Group, the property is included in the aforesaid Real Estate Title Certificate. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which states that the property is legally owned by Anxin Fuxing and could be freely transferred and leased. The property is not subject to mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
19.	Unit 601 of Rich Gate No. 6 Lane 222 Madang Road Luwan District Shanghai The PRC	The property comprises a residential unit on level 6 of Rich Gate with a gross floor area of 446.52 sq.m. Rich Gate is a large residential and retail development completed in about 2006. The land use rights of the property have been granted for a term expiring on 27 February 2072 for residential use.	The property was vacant as at the date of valuation.	49,287,000 100% interest attributable to the Group: RMB49,287,000

Notes:

1. Fullion International limited ("富利來國際有限公司, Fullion International") is a wholly owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Lu Zi (2008) Di No. 00706, the unit of the property with a gross floor area of approximately 446.52 sq.m. is owned by Fullion International and the relevant land use rights of the property have been granted to Fullion International for a term expiring on 27 February 2072.

3. Pursuant to a Mortgage Agreement dated 9 March 2009 entered into between CITIC Ka Wah Bank Limited (the "Bank") and Fullion International, the property was mortgaged to the Bank as security for a loan in the amount of RMB35,070,000.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Fullion International is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Fullion International has the rights to transfer the property but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
20.	Unit 2101 of Rich Gate No. 1 Lane 222 Madang Road Luwan District Shanghai The PRC	The property comprises a residential unit on level 21 of Rich Gate with a gross floor area of 761.29 sq.m. Rich Gate is a large residential and retail development completed in about 2006. The land use rights of the property have been granted for a term expiring on 27 February 2072 for residential use.	The property was vacant as at the date of valuation.	109,180,000 100% interest attributable to the Group: RMB109,180,000

Notes:

1. Linhill Investment limited ("麗山投資有限公司, Linhill Investment") is a wholly owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Lu Zi (2008) Di No. 004060, the property with a gross floor area of approximately 761.29 sq.m. is owned by Linhill Investment and the relevant land use rights of the property have been granted to Linhill Investment for a term expiring on 27 February 2072.

3. Pursuant to a Mortgage Agreement dated 9 March 2009 entered into between CITIC Ka Wah Bank Limited (the "Bank") and Linhill Investment, the property was mortgaged to the Bank as security for a loan in the amount of RMB83,460,000.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Linhill Investment is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Linhill Investment has the rights to transfer the property but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
21.	15 units of Oasis Albany No. 699 Zhong Xing Road Zhabei District Shanghai The PRC	The property comprises 3 unsold residential units (625, 635, 699) in Phase I and 12 unsold retail units (363, 365, 367, 369, 371, 373, 375, 377, 379, 381, 383, 385, 387, 389, 391, 393, 101, 102) in Phase II of Oasis Albany with a total gross floor area of approximately 4,317.97 sq.m., the details of which are as follows:	The property was vacant as at the date of valuation.	170,000,000 99.42% interest attributable to the Group: RMB169,014,000

Usage	Gross Floor Area
Residential (3 units)	2,326.49
Retail (12 units)	1,991.48
Total:	**4,317.97**

Oasis Albany is a large residential development, and Phase I and II was completed in 2007 and 2010 respectively.

The land use rights of the property have been granted for a term of 70 years for residential use.

Notes:

1. Shanghai Oasis Albany Real Estate Co., Ltd. ("上海綠洲雅賓利置業有限公司, Shanghai Oasis Albany") is a 99% owned subsidiary of the Company, and Shanghai Shuo Cheng Real Estate Co., Ltd. (上海碩誠置業有限公司, "Shuo Cheng Real Estate") is a wholly owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Zha Zi (2007) No. 017880, Phase I of Oasis Albany has a total gross floor area of approximately 74,582.61 sq.m. and relevant land use rights have been granted to Shanghai Oasis Albany for a term expiring on 30 September 2073 for residential use. As advised by the Group, the residential units of the property are included in the aforesaid Real Estate Title Certificate. Other than the residential units of property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

3. Pursuant to a Real Estate Title Certificate – Hu Fang Di Zha Zi (2011) No. 003652, Phase II of Oasis Albany has a total gross floor area of approximately 61,377.57 sq.m. and relevant land use rights have been granted to Shuo Cheng Real Estate for a term expiring on 30 September 2073 for residential use. As advised by the Group, the retail units of the property are included in the aforesaid Real Estate Title Certificate. Other than the retail units of property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which states that the property is legally owned by Shanghai Oasis Albany and Shuo Cheng Real Estate, and could be freely transferred and leased. The property is not subject to any mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
22.	11 units of Long Island Garden Lane 1288 Xinsong Road Songjiang District Shanghai The PRC	The property comprises 10 unsold retail units (504-102, 505-101, 501-102, 510-102, 510-101, 519-101, 519-102, 520-101, 520-102, 521-101 and 521-102) and a unsold residential unit (1287-1601) of Long Island Garden with a total gross floor area of 2,023.35 sq.m., the details of which are as follows:	The property was vacant as at the date of valuation.	25,000,000 98.75% interest attributable to the Group: RMB24,688,000

Usage	Gross Floor Area *(sq.m.)*
Residential (1 unit)	240.25
Retail (10 units)	1,783.10
Total:	**2,023.35**

Long Island Garden is a large residential area development completed in about 2004.

The land use rights of the property have been granted for a term expiring on 19 August 2069 for residential use.

Notes:

1. Shanghai Oasis Garden Real Estate Co., Ltd (“上海綠洲花園置業有限公司, Oasis Garden”) is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Song Zi (2010) No. 031908, Long Island Garden has a total gloss floor area of approximately 44,658.12 sq.m. and relevant land use rights have been granted for a term expiring on 19 August 2069 for residential use. As advised by the Group, the property is included in the aforesaid Real Estate Title Certificate. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which states that the property is legally owned by Oasis Garden and could be freely transferred and leased. The property is not subject to any mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
23.	Meilan Lake Garden Phase I located at Lane 18 Meidan Road Baoshan District Shanghai The PRC	The property comprises an unsold residential unit, 8 unsold commercial units and 142 car parking spaces of Meilan Lake Garden Phase I. The property has a total gross floor area of approximately 6,223.43 sq.m., the details of which are set out as follows:	The property was vacant as at the date of valuation.	51,794,000 99% interest attributable to the Group: RMB51,276,000

Usage	Gross Floor Area *(sq.m.)*
Residential unit	174.29
Commercial units	1,086.24
Car parking	4,962.90
Total:	**6,223.43**

Meilan Lake Garden Phase I is a residential area development completed in about 2010.

The land use rights of the property have been granted for a term expiring on 27 November 2077 for residential use.

Notes:

1. Shanghai Anton Real Estate Development Co., Ltd. ("上海安東房地產發展有限公司, Anton Real Estate") is a 99% owned subsidiary of the Company.

2. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Bao Zi (2010) No. 055361, Meilan Lake Garden Phase I has a total gloss floor area of approximately 50,073.72 sq.m. and relevant land use rights have been granted for a term expiring on 27 November 2077 for residential use. As advised by the Group, the property is included in the aforesaid Shanghai Real Estate Title Certificate. Other than the property, the buildings registered on the aforesaid Shanghai Real Estate Title Certificate have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which states that the property is legally owned by Anton Real Estate and could be freely transferred and leased. The property is not subject to mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
24.	214 townhouse units and a club house in the completed groups of Shenyang You Mountains Phase IA located at the town of Lee Sang Lane Dongling District Shenyang City Liaoning Province The PRC	Shenyang You Mountains (comprising the property and property nos. 30 and 43) is erected on 2 parcels of land with a total site area of approximately 240,313.84 sq.m. As at the date of valuation, Shenyang You Mountains Phase IA was completed, Shenyang You Mountains Phase IC was vacant and Shenyang You Mountains Phase IB was under construction. The property comprises 214 townhouse units and a club house in the completed group of Shenyang You Mountains Phase I A with a total gross floor area of 71,772.8 sq.m., the details of which are as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Townhouse 69,069.80 Club house 1,052.40 Ancillary 1,650.60 **Total** **71,772.80** The land use rights of the property have been granted for residential and commercial use.	The property was vacant as at the date of valuation.	409,240,000 98.95% interest Attributable to The Group: RMB 404,943,000

Notes:

1. Shenyang You Mountains Development Management Co., Ltd. ("瀋陽綠康置業有限公司, Shenyang You Mountains") is a 98.95% owned subsidiary of the Company.

2. Pursuant to 2 Land Use Rights Grant Contracts – No. 2101122008A0001 and Shen Gui Guo Tu He Zi Dong Ling (2008) No. 002, the land use rights of 2 parcels of land were contracted to be granted to Shenyang You Mountains for various terms expiring on 31 July 2048 and 27 August 2048 for commercial use and expiring on 31 July 2058 and 27 August 2058 for residential use. The total land premium was RMB175,167,363.

3. Pursuant to a State-owned Land Use Rights Certificate – Dong Ling Guo Yong (2008) Di No. 07210563, the land use rights (comprising this property and property no. 43) with a site area of approximately 72,972.24 sq.m. have been granted to Shenyang You Mountains for residential and commercial uses.

4. Pursuant to 11 Commodity Building Pre-sales Permits -Shen Fang Yu Shou Nos. 09232, 09085, 09204, 09083, 09137, 08396, 08395, 09168, 11116, 11117 and 11118 in favour of Shenyang You Mountains, Shenyang You Mountains (comprising property no. 30 and this property) is freely entitled to sell the townhouse development with a total gross floor area of approximately 232,347.67 sq.m. to the purchasers.

5. Pursuant to 8 construction work completion and inspection certificates, the construction of a portion of Shenyang You Mountains Phase IA has been completed and passed the acceptance inspection.

6. Pursuant to 2 Mortgage Agreements dated 8 May 2009 and 20 December 2009 respectively entered into between Liaoning Branch of Agriculture Bank of China (the "Bank") and Shenyang You Mountains, the land use rights of Shenyang You Mountains were mortgaged to the Bank as security for 2 loans in the total amount of RMB300,000,000.

7. As advised by the Group, various residential units of the property with a total gross floor area of approximately 37,740.13 sq.m. have been pre-sold to various third parties for a total consideration of RMB 205,598,703 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Shenyang You Mountains is the sole owner of the land use rights of the property and the land use rights grant premium has been fully paid;

   b. There is no legal obstacles for Shenyang You Mountains to obtain the Building Ownership Certificates;

   c. The property is subject to a mortgage; and

   d. Shenyang You Mountains can transfer the property but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
25.	Bund Center Haikou Phase IA and Phase IB No. 18 Taihua Road Longhua District Haikou City Hainan Province The PRC	Bund Center Haikou Phase I comprises a hotel (phase IC) and 5 residential buildings (phase IA and phase IB) which is constructed on 2 parcels of land with a total site area of approximately 34,250.40 sq.m. As at the date of valuation, phases IA and IB were completed and phase IC was under construction. The property comprises 821 residential units, a commercial podium and 525 car parking spaces in the completed groups of Bund Center Haikou Phase IA and Phase IB with a total gross floor area of 108,291.02 sq.m., the details of which are as follows:	The property was vacant as at the date of valuation.	1,287,000,000 79% interest Attributable to The Group: RMB1,016,730,000

Usage	Gross Floor Area *(sq.m.)*
Residential	87,999.16
Retail	2,030.00
Car parking spaces	13,523.00
Ancillary	4,738.86
Total	**108,291.02**

The land use rights of the property have been granted for terms expiring on 26 June 2078 for residential use and expiring on 26 June 2048 for commercial use.

Notes:

1. Haikou Century Harbour City Co., Ltd. ("海口世紀海港城置業有限公司, Haikou Century Harbour") is a 79% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Shi Guo Tu Yong Pi Zi [2008] No. 46 dated 27 June 2008, the land use rights of a parcel of land with a site area of approximately 227,272.63 sq.m. (including the land use rights of this property and property nos. 32 and 40) were contracted to be granted to Haikou Century Harbour commencing from 26 June 2008 for terms of 70 years for residential use and 40 years for commercial use. The land use rights premium was RMB1,087,272,262.

3. Pursuant to 2 State-owned Land Use Rights Certificates – Hai Kou Shi Guo Yong (2008) Di Nos. 007325 and 007326, the land use rights of 2 parcels of land with a total site area of approximately 46,666.65 sq.m. (including the land use rights of this property and property no. 32) have been granted to Haikou Century Harbour for terms of 70 years expiring on 26 June 2078 for residential use and 40 years expiring on 26 June 2048 for commercial use.

4. Pursuant to a Commodity Building Pre-Sale Permit – [2009] Hai Fang Yu Zi Di No. (0029) in favour of Haikou Century Harbour, Haikou Century Harbour is entitled to freely sell 5 buildings and their basement of Bund Center Haikou Phase I with a total gross floor area of approximately 96,144.19 sq.m. to purchasers.

5. Pursuant to a Mortgage Agreement dated 9 July 2009 entered into between Hainan Sub-Branch of Agriculture Bank of China (the "Bank") and Haikou Century Harbour, the development (including the land of this property and property no. 32) was mortgaged to the Bank as security for a loan in the amount of RMB500,000,000.

6. As advised by the Group, various residential units of the property with a total gross floor area of approximately 58,554.86 sq.m. have been pre-sold to various third parties for a total consideration of RMB720,001,420 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Haikou Century Harbour is the sole owner of the property and the land use rights grant premium has been fully paid;

   b. The property is subject to a mortgage; and

   c. Haikou Century Harbour can transfer the land use rights of the property after the development investment has been completed over 25%, but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
26	64 unsold units and 423 car parking lots of Jin Shan Rich Gate No. 118 Hangzhou Bay Road Jin Shan District Shanghai The PRC	The property comprises 64 unsold units and the underground car parking lots of Jin Shan Rich Gate with a total gross floor area of 43,232.51 sq.m. The details are set out as following:	The property was vacant as at the date of valuation.	429,000,000 98.75% interest attributable to the Group: RMB423,638,000

Usage	Gross Floor Area *(sq.m.)*
Residential	237.07
Office	12,292.15
Commercial	11,883.29
Underground car parking spaces	18,820.00
Total:	**43,232.51**

Jin Shan Rich Gate is a residential, commercial and office development completed in 2011.

The land use rights of the property have been granted for terms expiring on 25 September 2067 for residential use and 10 December 2048 for commercial use.

Notes:

1. Shanghai Shang Zhi Real Estate Development Co., Ltd. ("上海上置房地產發展有限公司, Shang Zhi Real Estate") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Shanghai Real Estate Title Certificate – Hu Jin Fang Di Jin Zi (2009) Di No. 000232, the land use rights of a parcel of land with a site area of approximately 35,832 sq.m., on which the property is situated, have been granted to Shang Zhi Real Estate for terms expiring on 25 September 2067 for residential use and 10 December 2048 for commercial use.

3. Pursuant to 3 Commodity Building Pre-sales Permits – Jin Shan Fang Guan (2009) Yu Nos. 0000482 and 0000501 and Jin Shan Fang Guan (2010) Yu No 0000203 in favour of Shang Zhi Real Estate, Shang Zhi Real Estate is freely entitled to sell the development with a total gross floor area of approximately 77,849.91 sq.m., including the property, to the purchasers.

4. Pursuant to a Mortgage Agreement entered into between Shanghai Bund Sub-branch of Industrial and Commercial Bank of China (the "Bank") and Shang Zhi Real Estate, the commercial and office portions of the development were mortgaged to the Bank as security for a loan in the amount of RMB180,000,000.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Shang Zhi Real Estate is the sole owner of the land use rights of the property and the land use rights grant premium has been fully paid;

   b. There is no legal obstacles for Shang Zhi Real Estate to obtain the Building Ownership Certificates;

   c. The property is subject to a mortgage; and

   d. Shang Zhi Real Estate can transfer the property but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

VALUATION CERTIFICATE

Group IV – Property interests held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
27.	Oasis Albany No.699 Zhong Xing Road Zhabei District Shanghai The PRC	The property is a residential and commercial development which is constructed on 5 parcel of land with a total site area of approximately 66,883 sq.m. As at the date of valuation, the property was under construction. The property comprises the following 2 phases: **Phase I:** It is scheduled to be completed in July 2011 with a total gross floor area of approximately 24,453 sq.m. upon completion for underground commercial purpose. Phase I of the property could be occupied or leased immediately after completion, but the Company has no plans regarding the same. As advised by the Group, the total construction cost of Phase I is estimated to be approximately RMB135,739,542, of which RMB62,800,846 had been paid up to the date of valuation. **Phase II:** It comprises 3 parcels of land with a total site area of approximately 54,499 sq.m. for residential use and some old buildings are being demolished there on. As the construction works for Phase II has not yet commenced, no construction cost has been incurred as at the date of valuation. And the completion date of Phase II has not been decided yet. The land use rights of the property have been granted for a term expiring on 30 September 2073 for residential use and 14 October 2049 for commercial use.	As at the date of valuation, cosmetic work to external finishes of Phase I was being undertaken and Phase II was occupied by some old buildings awaiting demolition.	2,744,000,000 100% interest attributable to the Group: RMB2,744,000,000

Notes:

1. Shanghai Shuo Cheng Real Estate Co., Ltd. ("上海碩誠置業有限公司, Shuo Cheng Real Estate") is a wholly owned subsidiary of the Company.

2. Pursuant to 2 Land Use Rights Grant Contracts – Hu Fang Di Zha (2003) No.092 and Hu Zha Gui Tu (2009) No.13, the land use rights of the property were contracted to be granted to Shuo Cheng Real Estate for a term expiring on 30 September 2073 for residential use and 14 October 2049 for commercial use respectively.

3. Pursuant to 5 Shanghai Real Estate Title Certificates – Hu Fang Zha Zi (2005) No. 021089, Hu Fang Zha Zi (2007) No. 012617, Hu Fang Di Zha Zi (2009) Di Nos. 026427 and 026428 and Hu Fang Zha Zi (2011) No. 004274, the land use rights of 5 parcels of land with a total site area of approximately 66,883 sq.m. have been granted to Shuo Cheng Real Estate for terms expiring on 30 September 2073 for residential use and 14 October 2049 for commercial use.

4. Pursuant to a Construction Land Planning Permit – Hu Zha Di (2009) No.EA31010820090010 in favour of Shuo Cheng Real Estate, permission towards the planning of the subject land has been approved.

5. Pursuant to a Construction Work Planning Permit – Hu Zha Jian (2010) No. FA31010820100900 in favour of Shuo Cheng Real Estate, the building of phase I with a gross floor area of approximately 24,453 sq.m. has been approved for construction.

6. Pursuant to 2 Construction Work Commencement Permits – 0801ZB0025D01 and 0801ZB0025D02 in favour of Shuo Cheng Real Estate, permissions of the building of phase I with a gross floor area of approximately 24,388 sq.m. was given by the relevant local authority to commence the construction work.

7. Pursuant to a Mortgage Agreement dated 10 March 2010 entered into between Putuo Branch of Shanghai Pufa Bank Co., Ltd. (the "Bank") and Shuo Cheng Real Estate, Phase II of the property was mortgaged to the Bank as security for two loans in the amount of RMB200,000,000 and RMB1,400,000,000 respectively.

8. The capital value of Phase I of the property as if completed as at the date of valuation would be approximately RMB621,890,000. As the zoning of Phase II has not been fixed, the capital value of Phase II could not be addressed as at the date of valuation.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Shuo Cheng Real Estate is the sole owner of the property and the land use rights grant premium has been fully paid;

    b. Phase II of the property is subject to a mortgage, portions of the property are not subject to mortgage or other third party interests;

    c. Shuo Cheng Real Estate can transfer the land use rights of the property after the development investment has been completed over 25%; and

    d. There is no risk that the land use rights of Phase II of the property to be recovered even the development of which has not been commenced for more than two years with the obtainment of an "Extension of House Demolition Notice" – Chai Xu Yan Zi (2010) No.25 and No.26.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Portion
d.	Construction Work Commencement Permit	Portion
e.	Commodity Building Pre-Sale Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

11. The certificate/approvals set out in note 10 are in respect of Phase I of the property only. There are only real estate title certificates for Phase II.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
28.	Meilan Lake Garden Phase II and III located at Lane 18 Meidan Road Baoshan District Shanghai The PRC	The property, comprising Meilan Lake Garden Phase II and III, is a residential development which is constructed on a parcel of land with a site area of approximately 120,594.80 sq.m. (including the land of Meilan Lake Garden Phase I). As at the date of valuation, the property was under construction. The property is scheduled to be completed in December 2011. The property could be occupied or leased immediately after completion, but the Company has no plans regarding the same. Upon completion, the development will have a total gross floor area of approximately 78,339 sq.m. and the details are as following:	As at the date of valuation, cosmetic work to external finishes was under construction.	1,221,000,000 99% interest attributable to the Group: RMB1,208,790,000

Phase	Planned Gross Floor Area *(sq.m.)*
Residential	51,686.32
Ancillary	12,280.68
Under ground car park	14,372.00
Total:	**78,339.00**

As advised by the Group, the total construction cost is estimated to be approximately RMB525,273,000, of which RMB240,843,000 had been paid up to the date of valuation.

The land use rights of the property have been granted for a term expiring on 27 November 2077 for residential use.

Notes:

1. Shanghai Anton Real Estate Development Co., Ltd. ("上海安東房地產發展有限公司, Anton Real Estate") is a 99% owned subsidiary of the Company.

2. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Bao Zi (2008) Di No.027389, the land use rights of a parcel of land with a site area of approximately 120,594.8 sq.m. (including phase I to III of Meilan Lake Garden) have been granted to Anton Real Estate for a term expiring on 27 November 2077 for residential use.

3. Pursuant to a Construction Land Planning Permit – Hu Bao Di (2008) No. 13081006E01222 in favour of Anton Real Estate, permission towards the planning of a parcel of land with a site area of approximately 120,594.8 sq.m. (including phase I to III of Meilan Lake Garden) has been approved for construction.

4. Pursuant to 2 Construction Work Planning Permits – Hu Bao Jian (2009) Nos. FA31011320092410 and FA31011320092850 in favour of Anton Real Estate, various buildings of Meilan Lake Garden Phase II and III with a total gross floor area of approximately 78,455 sq.m. have been approved for construction.

5. Pursuant to 2 Construction Work Commencement Permits – Nos. 0801BS0059D02310113200809231319 and 0801BS0059D03310113200809231319 in favour of Anton Real Estate, permission was given by the relevant local authority to commence the construction work with a planned gross floor area of approximately 78,339 sq.m.

6. Pursuant to 2 Commodity Building Pre-sales Permits in favour of Anton Real Estate, Anton Real Estate is freely entitled to sell the development with a total gross floor area of approximately 66,058.32 sq.m. to the purchasers.

7. As advised by the Group, various residential units of the property with a total gross floor area of approximately 42,896.98 sq.m. have been pre-sold to various third parties for a total consideration of RMB1,236,476,796 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

8. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB1,534,801,000.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Anton Real Estate is the sole owner of the property and the land use rights grant premium has been fully paid;

   b. The property is not subject to mortgage or other third party interests; and

   c. Anton Real Estate can transfer the land use rights of the property after the development investment has been completed over 25%, but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
29.	Island of the Original Villa Lane 88 Mei Feng Road Baoshan District Shanghai The PRC	The property is a residential development which is constructed on 2 parcels of land with a total site area of approximately 96,842 sq.m. As at the date of valuation, the property was under construction. The property is scheduled to be completed in May 2012. The property could be occupied or leased immediately after completion, but the Company has no plans regarding the same. Upon completion, the development will have a total gross floor area of approximately 148,104 sq.m. and the details are as following:	As at the date of valuation, cosmetic work to external finishes was under construction.	1,997,000,000 98.75% interest attributable to the Group: RMB1,972,038,000

Phase	Planned Gross Floor Area *(sq.m.)*
Residential	113,082.88
Commercial	960.38
Ancillary	34,060.74
Total:	**148,104.00**

As advised by the Group, the total construction cost is estimated to be approximately RMB1,231,160,000, of which RMB394,546,000 had been paid up to the date of valuation.

The land use rights of the property have been granted for a term expiring on 29 June 2079 for residential use.

Notes:

1. Shanghai Xiangdao Real Estate Ltd. ("上海香島花園置業有限公司, Shanghai Xiangdao") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Land Use Rights Grant Contract – Hu Bao Gui Tu (2009) Bu Zi No.23, the land use rights of the property were contracted to be granted to Shanghai Xiangdao for a term expiring on 30 May 2079 for residential use. The land premium was RMB422,400,000.

3. Pursuant to 2 Shanghai Real Estate Title Certificates – Hu Fang Di Bao Zi (2009) Di Nos.043270 and 043271, the land use rights of 2 parcels of land with a total site area of approximately 96,842 sq.m. have been granted to Shanghai Xiangdao for a term expiring on 29 June 2079 for residential use.

4. Pursuant to a Construction Land Planning Permit – Hu Bao Di (2009) No. EA31011320091103 in favour of Shanghai Xiangdao, permission towards the planning of the subject land with a site area of approximately 153,445 sq.m. has been approved for construction.

5. Pursuant to 7 Construction Work Planning Permits – Jian Zi Di Hu Bao Jian (2010) Nos. FA31011320100608 and FA31011320100522, Jian Zi Di Hu Bao Jian (2009) Nos. FA31011320092842, FA31011320092841, FA31011320092838, FA31011320092839 and FA31011320092840 in favour of Shanghai Xiangdao, various buildings with a total gross floor area of approximately 148,104 sq.m. have been approved for construction.

6. Pursuant to 4 Construction Work Commencement Permits – Nos. 0901BS0061D04310113200909081319, 0901BS0061D03310113200909081319, 0901BS0061D02310113200909081319 and 0901BS0061D01310113200909081319 in favour of Shanghai Xiangdao, permission was given by the relevant local authority to commence the construction work.

7. Pursuant to 4 Commodity Building Pre-sales Permits – Bao Shan Fang Guan (2010) Yu Zi Nos. 0000241, 0000451, 0000452 and 0000646 in favour of Shanghai Xiangdao, Shanghai Xiangdao is freely entitled to sell the development with a total gross floor area of approximately 103,652.33 sq.m. to the purchasers.

8. Pursuant to 2 Mortgage Agreements dated 16 August 2010 entered into between Shanghai Branch of China Minsheng Banking Co., Ltd (the "Bank) and Shanghai Xiangdao, the property was mortgaged to the Bank as security for two loans in the amount of RMB320,000,000 and RMB180,000,000 respectively.

9. As advised by the Group, various residential units of the property with a total gross floor area of approximately 51,514.68 sq.m. have been pre-sold to various third parties for a total consideration of RMB1,247,500,224 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

10. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB2,847,460,000.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Shanghai Xiangdao is the sole owner of the property and the land use rights grant premium has been fully paid;

    b. The property is subject to a mortgage; and

    c. Shanghai Xiangdao can transfer the land use rights of the property after the development investment has been completed over 25%, but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
30.	Shenyang You Mountains Phase IB located at the town of Lee Sang Lane Dongling District Shenyang City Liaoning Province The PRC	The property is a villa development which is constructed on a parcel of land with a site area of approximately 167,341.6 sq.m. As at the date of valuation, the property was under construction. The property is scheduled to be completed in December 2011. The property could be occupied or leased immediately after completion, but the Company has no plans regarding the same. Upon completion, the development will have a total gross floor area of approximately 203,031 sq.m. As advised by the Group, the total construction cost is estimated to be approximately RMB452,950,000, of which RMB292,560,000 had been paid up to the date of valuation. The land use rights of the property have been granted for residential and commercial uses.	As at the date of valuation, the superstructure was under construction.	681,000,000 98.95% interest attributable to the Group: RMB673,850,000

Notes:

1. Shenyang You Mountains Development Management Co., Ltd. ("瀋陽綠康置業有限公司, Shenyang You Mountains") is a 98.95% owned subsidiary of the Company.

2. Pursuant to 2 Land Use Rights Grant Contracts – No. 2101122008A0001 and Shen Gui Guo Tu He Zi Dong Ling (2008) No.002, the land use rights of 2 parcels of land were contracted to be granted to Shenyang You Mountains for various terms expiring on 31 July 2048 and 27 August 2048 for commercial use and expiring on 31 July 2058 and 27 August 2058 for residential use. The total land premium was RMB 175,167,363.

3. Pursuant to a State-owned Land Use Rights Certificate – Dong Ling Guo Yong (2008) Di No. 07210558, the land use rights of the property with a site area of approximately 167,341.6 sq.m. have been granted to Shenyang You Mountains for residential and commercial uses.

4. Pursuant to 2 Construction Work Planning Permits – Jian Zi Nos. 210100200800195 and 210100200800194 in favour of Shenyang You Mountains, various townhouses with a total gross floor area of approximately 233,423 sq.m. (comprising this property and property no. 24) have been approved for construction.

5. Pursuant to 3 Construction Work Commencement Permits – Nos. 210106200910230101, 210106200811260101 and 210106200910230201 in favour of Shenyang You Mountains permission was given by the relevant local authority to commence the construction work (comprising this property and property no. 24).

6. Pursuant to 11 Commodity Building Pre-sales Permits -Shen Fang Yu Shou Nos. 09232, 09085, 09204, 09083, 09137, 08396, 08395, 09168, 11116, 11117 and 11118 in favour of Shenyang You Mountains, Shenyang You Mountains is freely entitled to sell the townhouse development with a total gross floor area of approximately 232,347.67 sq.m. (comprising this property and property no. 24) to the purchasers.

7. Pursuant to 2 Mortgage Agreements dated 8 May 2009 and 20 December 2009 respectively entered into between Liaoning Branch of Agriculture Bank of China (the "Bank") and Shenyang You Mountains, the land use rights of Shenyang You Mountains were mortgaged to the Bank as security for 2 loans in the total amount of RMB300,000,000.

8. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB1,160,698,000.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shenyang You Mountains is the sole owner of the property and the land use rights grant premium has been fully paid;

   b. The property is subject to a mortgage; and

   c. Shenyang You Mountains can transfer the land use rights of the property after the development investment has been completed over 25%, but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
31.	Shenyang Albany located at the eastern side of South Heping Road Heping District Shenyang City Liaoning Province The PRC	The property is a residential development which is constructed on a parcel of land with a site area of approximately 42,725.8 sq.m. As at the date of valuation, the property was under construction. The development is scheduled to be completed in December 2011. The property could be occupied or leased immediately after completion, but the Company has no plans regarding the same. Upon completion, the development will have a total gross floor area of approximately 133,216.02 sq.m. and the details are set out as following:	As at the date of valuation, the superstructure had been completed.	768,000,000 90% interest attributable to the Group: RMB691,200,000

Use	Planned Gross Floor Area *(sq.m.)*
Residential	123,828.61
Commercial	4,428.80
Ancillary	4,958.61
Total:	**133,216.02**

As advised by the Group, the total construction cost is estimated to be approximately RMB536,460,000, of which RMB253,986,000 had been paid up to the date of valuation.

The land use rights of the property have been granted for terms expiring on 11 December 2048 for commercial use and expiring on 11 December 2058 for residential use.

Notes:

1. Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("遼寧高校後勤集團房地產開發有限公司, Liaoning Gao Xiao Real Estate") is a 90% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – No. 2101012008A0023 dated 11 December 2008, the land use rights of a parcel of land with a site area of approximately 45,876.3 sq.m. were contracted to be granted to Liaoning Gao Xiao Real Estate for terms expiring on 11 December 2048 for commercial use and expiring on 11 December 2058 for residential use.

3. Pursuant to 2 State-owned Land Use Rights Certificates – Shen Yang Guo Yong (2009) Di Nos. 0043 and 0044, the land use rights of 2 parcels of land with a total site area of approximately 42,725.8 sq.m. have been granted to Liaoning Gao Xiao Real Estate for terms expiring on 11 December 2048 for commercial use and expiring on 11 December 2058 for residential use.

4. Pursuant to a Construction Land Planning Permit – Shen Gui Tu Zheng Fu Zi (2008)No.0011 in favour of Liaoning Gao Xiao Real Estate, permission towards the planning of the subject land with a site area of approximately 69,717.6sq.m. has been approved for construction.

5. Pursuant to a Construction Work Planning Permit – Jian Zi No.21010020090054 in favour of Liaoning Gao Xiao Real Estate, various buildings with a total gross floor area of approximately 130,929.1 sq.m. have been approved for construction.

6. Pursuant to 2 Construction Work Commencement Permits – Nos. 210101200905220101 and 210101200905220201 in favour of Liaoning Gao Xiao Real Estate, permission was given by the relevant local authority to commence the construction work.

7. Pursuant to 2 Commodity Building Pre-sales Permits – Shen Fang Yu Shou Nos. 10090 and 10401 in favour of Liaoning Gao Xiao Real Estate, Liaoning Gao Xiao Real Estate is freely entitled to sell the development with a total gross floor area of approximately 126,300.71 sq.m. to the purchasers.

8. Pursuant to 2 Mortgage Agreements dated 28 May 2010 and 26 October 2010 respectively entered into between Shenyang Branch of Shanghai Pudong Development Bank Co., Ltd. (the "Bank) and Liaoning Gao Xiao Real Estate, the property was mortgaged to the Bank as security for 2 loans in the total amount of RMB300, 000,000.

9. As advised by the Group, various residential units of the property with a total gross floor area of approximately 58.790.44 sq.m. have been pre-sold to various third parties for a total consideration of RMB515,136,639 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

10. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB1,100,800,000.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Liaoning Gao Xiao Real Estate is the sole owner of the property and the land use rights grant premium has been fully paid;

    b. The property is subject to a mortgage; and

    c. Liaoning Gao Xiao Real Estate can transfer the land use rights of the property after the development investment has been completed over 25%, but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
32.	Phase IC of the Bund Center Haikou No. 18 Taihua Road Longhua District Haikou City Hainan Province The PRC	Bund Center Haikou Phase I comprises a hotel (Phase IC) and 5 residential buildings (Phase IA and IB) which is constructed on 2 parcels of land with a total site area of approximately 34,250.40 sq.m. As at the date of valuation, Phases IA and IB were completed and Phase IC was under construction. The development of Phase IC is scheduled to be completed in December 2012. The property could be occupied or leased immediately after completion, but the Company has no plans regarding the same. Upon completion, the development will have a total gross floor area of approximately 54,793 sq.m. As advised by the Group, the total construction cost is estimated to be approximately RMB543,860,000, of which RMB12,995,000 had been paid up to the date of valuation. The land use rights of the property have been granted for terms of 70 years expiring on 26 June 2078 for residential use and 40 years expiring on 26 June 2048 for commercial use.	As at the date of valuation, the foundation of the hotel was under construction.	137,990,000 79% interest attributable to the Group: RMB109,012,000

Notes:

1. Haikou Century Harbour City Co., Ltd. ("海口世紀海港城置業有限公司, Haikou Century Harbour") is a 79% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Shi Guo Tu Yong Pi Zi [2008] No. 46 dated 27 June 2008, the land use rights of a parcel of land with a site area of approximately 227,272.63 sq.m. (including the land use rights of this property and property nos. 25 and 40) were contracted to be granted to Haikou Century Harbour commencing from 26 June 2008 for terms of 70 years for residential use and 40 years for commercial use. The land use rights premium was RMB1,087,272,262.

3. Pursuant to 2 State-owned Land Use Rights Certificates – Hai Kou Shi Guo Yong (2008) Di Nos. 007325 and 007326, the land use rights of 2 parcels of land with a total site area of approximately 46,666.65 sq.m. (including the land use rights of this property and the property no. 25) have been granted to Haikou Century Harbour for terms of 70 years expiring on 26 June 2078 for residential use and 40 years expiring on 26 June 2048 for commercial use.

4. Pursuant to 2 Mortgage Agreements dated 9 July 2009 and 27 November 2009 respectively entered into between Hainan Sub-Branch of Agriculture Bank of China (the "Bank") and Haikou Century Harbour, the development (including the land of this property and the property no. 25) was mortgaged to the Bank as security for 2 loans in the amount of RMB175,072,800 and RMB100,000,000 respectively.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Haikou Century Harbour is the sole owner of the property and the land use rights grant premium has been fully paid;

   b. The property is subject to a mortgage; and

c. Haikou Century Harbour can transfer the land use rights of the property after the development investment has been completed over 25%, but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	N/A
d.	Construction Work Commencement Permit	N/A
e.	Commodity Building Pre-Sale Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
33.	Jiangnan Richgate located at the western side of Xinhong Road, the northern side of Xiyi Road the eastern side of NS3 Road and the southern side of EW1 Road Wuxi City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 48,620.3 sq.m. which is planned to be developed with 170 semi-detached and detached villas, underground car parking spaces and ancillary facilities known as Jiangnan Richgate. As advised by the Group, the development is scheduled to be completed in November 2011. The property could be occupied or leased immediately after completion, but the Company has no plans regarding the same. Upon completion, the development will have a total gross floor area of approximately 71,405 sq.m., the details of which are as follows:	As at the date of valuation, the superstructure was under construction.	145,385,000 98.75% interest attributable to the Group: RMB143,568,000

Usage	Planned Gross Floor Area *(sq.m.)*
Semi-detached and Detached Villas	52,465.00
Underground spaces	17,640.00
Ancillary	1,300.00
Total:	**71,405.00**

As advised by the Group, the total construction cost is estimated to be approximately RMB479,420,000, of which RMB49,794,000 had been paid up to the date of valuation.

The land use rights of the property have been granted for a term of 70 years expiring on 3 June 2079 for residential use.

Notes:

1. Wuxi Zhongqing Real Estate Development Co., Ltd ("無錫仲慶房地產開發有限公司, Wuxi Zhongqing Property") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Xi Guo Tu Chu He (2007) No.52 and a supplement contract dated 26 August 2008, the land use rights of the property were contracted to be granted for a term of 70 years for residential use. The land premium was RMB76,900,000.

3. Pursuant to a Stated-owned land Use Rights Certificate – Xi Xin Guo Yong (2009) Di No. 11, the land use rights of a parcel of land with a site area of approximately 48,620.3 sq.m. were granted to Wuxi Zhongqing Property for a term expiring on 3 June 2079 for residential use.

4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 3202012010X0177 in favour of Wuxi Zhongqing Property, the property with a total planned gross floor area of approximately 71,405 sq.m. has been approved for construction.

5. Pursuant to a Construction Work Commencement Permit – No. 3202992010072200002A in favour of Wuxi Zhongqing Property, permission was given by the relevant local authority to commence the construction work.

6. Pursuant to 3 Commodity Building Pre-Sale Permits – (2010) Yu Xiao Zhun Zi Nos. 138, 173 and 146 in favour of Wuxi Zhongqing Property, Wuxi Zhongqing Property is freely entitled to sell the development with a total gross floor area of approximately 50,465.12 sq.m. to the purchasers.

7. Pursuant to a Mortgage Agreement dated 20 December 2010, entered into between Bank of Jiangsu (the "Bank") and Wuxi Zhongqing Property, portions of a parcel of the land with an apportioned site area of approximately 34,144.42 sq.m. was mortgaged to the Bank for a loan in the amount of RMB100,000,000 with a term expiring on 4 January 2012.

8. As advised by the Group, various villas of the property with a total gross floor area of approximately 22,754.30 sq.m. have been pre-sold to various third parties for a total consideration of RMB353,285,776 as at the date of valuation but have not been handed over to the purchase. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

9. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB782,803,000.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Wuxi Zhongqing Property is the sole owner of the property and the land use rights grant premium has been fully paid;

    b. The property is subject to a mortgage; and

    c. Wuxi Zhongqing Property can transfer the land use rights of the property after the development investment has been completed over 25%, but needs to notify the mortgagee of the transfer in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured..

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
34.	A residential project located at the northern side of Tanxiang Road the southern side of Huanhu Road Nanhu District Jiaxing City Zhejiang Province The PRC	The property is a residential and commercial development which is erected on a parcel of land with a site area of approximately 53,275.10 sq.m. The property is scheduled to be completed in October 2013. The property could be occupied or leased immediately after completion, but the Company has no plans regarding the same. Upon completion, the development will have a total gross floor area of approximately 97,904.83 sq.m. and the details are as following: **Phase** — **Planned Gross Floor Area** *(sq.m.)* Residential — 48,383.94 Commercial — 4,391.28 Ancillary — 516.92 Underground — 44,612.69 **Total: — 97,904.83** As advised by the Group, the total construction cost is estimated to be approximately RMB622,179,000, of which RMB15,587,000 had been paid up to the date of valuation. The land use rights of the property have been granted for terms expiring on 20 March 2048 for commercial use and 20 March 2078 for residential use.	As at the date of valuation, the superstructure was under construction.	153,450,000 100% interest attributable to the Group: RMB153,450,000

Notes:

1. Jiaxing Hupan Richgate Real Estate Co., Ltd. ("嘉興湖畔華府置業有限公司, Jiaxing Richgate") is a wholly owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Jia Tu Rang He (2008) No.8 dated 20 February 2008, the land use rights of a parcel of land with a site area of approximately 53,275.10 sq.m. were contracted to be granted to Jiaxing Richgate for a term of 70 years for residential use and 40 years for commercial use.

3. Pursuant to a State-owned Land Use Rights Certificate – Jia Tu Guo Yong (2010) Di No. 413113, the land use rights of a parcel of land with a site area of approximately 53,275.10 sq.m. have been granted to Jiaxing Richgate for terms expiring on 20 March 2048 for commercial uses and 20 March 2078 for residential use.

4. Pursuant to 2 Construction Work Planning Permits – Jian Zi Nos. 330401201000017 and 330401201000018 in favour of Jiaxing Richgate, various buildings with a total gross floor area of approximately 97,904.83 sq.m. have been approved for construction.

5. Pursuant to 2 Construction Work Commencement Permits – Nos. 330402201010260101 and 330402201012220101 in favour of Jiaxing Richgate, permission was given by the relevant local authority to commence the construction work.

6. The capital value of the property as if completed as at the date of valuation would be approximately RMB1,123,550,000.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jiaxing Richgate is the sole owner of the property;

   b. The property is not subject to mortgage or other third party interests;

   c. Jiaxing Richgate can transfer the land use rights of the property after the development investment has been completed over 25%, but needs notice the transfer to the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured; and

   d. According to relevant documents, Jiaxing Richgate should pay RMB1,571,242 as penalty for the delayed construction work before 1 April 2011. Jiaxing Richgate paid the penalty at 31 March 2011.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
35.	A parcel of land and an office building under construction located at the Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	The property is an office development which is constructed on a parcel of land with a site area of approximately 6,600 sq.m. As at the date of valuation, the property was under construction. As advised by Jinwu Development, the property is scheduled to be completed in June 2013 and will have a total gross floor area of approximately 44,073.7 sq.m. upon completion. The property could be occupied or leased immediately after completion, but the Company has no plans regarding the same. As advised by Jinwu Development, the total construction cost of the property is estimated to be approximately RMB637,574,000, of which Nil had been paid up to the date of valuation. The land use rights of the property have been granted for a term expiring on 13 January 2055 for office and commercial uses.	As at the date of valuation, the foundation of the property was under construction.	377,600,000 95.79% interest attributable to the Group: RMB361,703,000

Notes:

1. Shanghai Jinwu Real Estate Co., Ltd. ("上海金午置業有限公司, Jinwu Development") is a 95.79% owned subsidiary of the Company.

2. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Pu Zi (2009) No. 021698 dated 16 July 2009, the land use rights of a parcel of land with a site area of approximately 47,707 sq.m. have been granted to Jinwu Development for a term expiring on 13 January 2055 for office and commercial uses. As advised by the Group, the land use rights registered on the aforesaid Real Estate Title Certificate include the property with a site area of approximately 6,600 sq.m. and the land use rights of the Oasis Middlering Centre mentioned in properties nos. 3 and 4.

3. Pursuant to a Construction Work Planning Permit – Jian Zi Di Hu Pu Jian (2010) FA31010720101848 in favour of Jinwu Development, an office building with a total gross floor area of approximately 44,073.7 sq.m. has been approved for construction.

4. Pursuant to a Construction Work Commencement Permit – No. 1001PT0001D01 310107201001060501 in favour of Jinwu Development, permission by the relevant local authority was given to commence the construction work.

5. As advised by the Company and according to the opinion provided by the Company's PRC legal adviser, the equity of Jinwu Development held by the Company has been pledged to Shanghai International Trust Co., Ltd. However, since the equity of Jinwu Development was still vested in the Company as at the date of valuation, we have been instructed that the equity rate of Jinwu Development held by the Company is still 95.79%.

6. The capital value of the property as if completed as at the date of valuation would be approximately RMB865,475,000.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jinwu Development is the sole owner of the property; and

   b. The property is not subject to mortgage or other third party interests.

VALUATION CERTIFICATE

Group V – Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
36.	A parcel of land located at Lane 3888 Kunyang Western Road Maqiao Town Minhang District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 103,164 sq.m. As advised by the Group, the property is planned to be developed into a villa development with a total planned gross floor area of approximately 18,054 sq.m. There are no development plans yet. The land use rights of the property have been granted for a term expiring on 19 October 2074 for residential use.	The property was vacant as at the date of valuation.	285,000,000 27.69% interest attributable to the Group: RMB78,917,000

Notes:

1. Shanghai Lushan Real Estate Ltd. ("上海綠杉置業有限公司, Lvshan Real Estate") is a 27.69% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Fang Di Min Zi(2004) Grant Contract Di No.171 dated 20 October 2004, the land use rights of the property were contracted to be granted to Lvshan Real Estate for a term of 70 years expiring on 19 October 2074 for residential use. The land premium was RMB13,973,564.

3. Pursuant to a Shanghai Real Estate Title Certificate – Min 2005027693, the land use rights of a parcel of land with a site area of approximately 103,164 sq.m. have been granted to Lvshan Real Estate for a term of 70 years expiring on 19 October 2074 for residential use.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Lvshan Real Estate is the sole owner of the property and the land use rights grant premium has been fully paid;

   b. The property is not subject to mortgage or other third party interests; and

   c. According to the Land Use Rights Grant Contract mentioned in note 2, Lvshan Real Estate should commence to construct the development before 20 October 2006 and complete the development before 20 October 2008. If the development has not been completed within two years, the land use rights and the building erected thereon might be taken back by the relevant land administration department.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
37.	A parcel of land (Lot 47/19 Qiu No. 1 Jiefang out of Qunei Town) located at the eastern side of Yongfa Road Pudong New District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 38,589 sq.m. which is planned to be developed into a high-end residential community comprising various detached villas, townhouses and ancillary facilities. As advised by the group, upon completion the development will have a total gross floor area of approximately 38,589 sq.m. There are no development plans yet. The land use rights of the property have been granted for a term of 70 years expiring on 15 February 2066 for residential use.	The property was vacant as at the date of valuation.	201,740,000 98.75% interest attributable to the Group: RMB199,218,000

Notes:

1. Shanghai Haibo Comprehensive Real Estate Development Co., Ltd. (“上海海波房地產綜合開發有限公司, Shanghai Haibo”) is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Nan Zi (2005) Di No. 015468, the land use rights of a parcel of land with a site area of approximately 38,589 sq.m. were granted to Shanghai Haibo for a term of 70 years expiring on 15 February 2066 for residential use.

3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:

   a. Shanghai Haibo is the sole owner of the property;

   b. The property is not subject to mortgage or other third party interests; and

   c. According to relevant legal and land grant contract, there is a risk that the land use rights of the property might be taken back by the relevant government department as the construction work has not been commenced for more than two years.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
38.	A parcel of land (Lot 47/8 Qiu No. 1 Jiefang out of Qunei Town) located at the eastern side of Yongfa Road Pudong New District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 19,903 sq.m. which is planned to be developed into a high-end residential community comprising various detached villas, townhouses and ancillary facilities. As advised by the Group, upon completion the development will have a total gross floor area of approximately 19,903 sq.m. There are no development plans yet. The land use rights of the property have been granted for a term of 70 years expiring on 15 February 2066 for residential use.	The property was vacant as at the date of valuation.	104,050,000 98.75% interest attributable to the Group: RMB102,749,000

Notes:

1. Shanghai Xiabo Industrial Co., Ltd. ("上海夏波實業有限公司, Shanghai Xiabo) is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Nan Zi (2005) Di No. 015856, the land use rights of a parcel of land with a site area of approximately 19,903 sq.m. were granted to Shanghai Xiabo for a term of 70 years expiring on 15 February 2066 for residential use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shanghai Xiabo is the sole owner of the property;

   b. The property is not subject to mortgage or other third party interests; and

   c. According to relevant legal and land granted contract, there is a risk that the land use rights of the property might be taken back by the relevant government department as the construction work has not been commenced for more than two years.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in clear site state as at 31 March 2011 *RMB*
39.	A parcel of land known as Phase II of Huangpu Huating located at the western side of South Chezhan Road the southern side of Xietu Road the eastern side of Baotun Road and the northern side of Phase I of Huangpu Huating Huangpu District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 13,395 sq.m. which is planned to be developed with 4 residential buildings linking with a retail podium and underground car parking spaces as well as ancillary facilities known as Phase II of Huangpu Huating. As advised by the Group, the development is scheduled to be commenced at end of 2011 and will be completed in September 2013. Upon completion, the development will have a total gross floor area of approximately 42,800 sq.m., the details of which are as follows:	The property was occupied by some old buildings as at the date of valuation which will be demolished.	682,000,000 50.36% interest attributable to the Group: RMB343,455,000

Usage	Planned Gross Floor Area *(sq.m.)*
Residential	27,200.00
Retail	4,800.00
Underground car parking spaces (200 lots)	10,300.00
Ancillary	500.00
Total:	**42,800.00**

The land use rights of the property have been granted for a term of 70 years commencing from 24 April 2003 and expiring on 23 April 2073 for residential use.

Notes:

1. Shanghai Bairun Real Estate Development Co., Ltd ("上海百潤房地產有限公司, Shanghai Bairun") is a 50.36% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Fang Di Huang (2003) Grant Contract Di No.40 dated 14 March 2003, the land use rights of the property were contracted to be granted to Shanghai Bairun for a term of 70 years for residential use. The land premium was RMB16,623,400.

3. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Huang Zi (2003) Di No. 004535, the land use rights of a parcel of land with a site area of approximately 23,040 sq.m. (including the land of property no. 9) were granted to Shanghai Bairun for a term of 70 years expiring on 23 April 2073 for residential use.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shanghai Bairun is the sole owner of the property and the land use rights grant premium has been fully paid;

   b. The property is not subject to mortgage or other third party interests and Shanghai Bairun has the rights to mortgage the land; and

   c. Shanghai Bairun has obtained the "Extension of Buildings Demolition Notice". Therefore, there is no risk that the land use rights of the property will be taken back by relevant government department even the construction work has not been commenced for more than two years.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
40.	A parcel of land No. 18 Taihua Road Longhua District Haikou City Hainan Province The PRC	The property comprises a parcel of land with a total site area of approximately 180,606.07 sq.m. The property is held by the Group for a development known as phase II of the Bund Center Haikou which is planned to be developed in phases with a total planned gross floor area of approximately 1,016,500 sq.m. for office, hotel, commercial and residential uses. There are no development plans yet. The land use rights of the property have been granted for a term of 70 years expiring on 26 June 2078 for residential use and 40 years expiring on 26 June 2048 for commercial use.	The property was vacant as at the date of valuation.	1,714,000,000 79% interest attributable to the Group: RMB1,354,060,000

Notes:

1. Haikou Century Harbour City Co., Ltd. ("海口世紀海港城置業有限公司, Haikou Century Harbour") is a 79% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Shi Guo Tu Yong Pi Zi [2008] No. 46 dated 27 June 2008, the land use rights of a parcel of land with a site area of approximately 227,272.63 sq.m. (including this property and the land use rights of property nos. 25 and 32) were contracted to be granted to Haikou Century Harbour commencing from 26 June 2008 for terms of 70 years for residential use and 40 years for commercial use. The land use rights premium was RMB1,087,272,262.

3. Pursuant to a State-owned Land Use Rights Certificate – Hai Kou Shi Guo Yong (2010) Di No. 001787, the land use rights of a parcel of land with a site area of approximately 180,606.07 sq.m. have been granted to Haikou Century Harbour for a term of 70 years expiring on 26 June 2078 for residential use and 40 years expiring on 26 June 2048 for commercial use.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Haikou Century Harbour is the sole owner of the property and the land use rights grant premium has been fully paid;

   b. The property is not subject to mortgage or other third party interests and Haikou Century Harbour has the rights to mortgage the land;

   c. Haikou Century Harbour can transfer the land use rights of the property after the development investment has been completed over 25%.

   d. According to the State-owned Land Use Rights Grant Contract – Shi Guo Tu Yong Pi Zi [2008] No. 46 dated 27 June 2008, Haikou Century Harbour should commence the construction from 27 December 2009. As advised by the Group, Haikou Century Harbour is in the process of obtaining the Extension of Construction Commencing Permits and Haikou Century Harbour may have the risk of being fined by 20% of the total land use rights premium if it fails to obtain the permits.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
41.	A parcel of land located at the northern side of Guangchang Bei Road the eastern side of Huanhu Road Nanhu District Jiaxing City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 76,600.30 sq.m. As advised by the Group, the property is planned to be developed into various residential buildings, commercial and ancillary facilities with a total planned gross floor area of approximately 137,780.00 sq.m. There are no development plans yet. The land use rights of the property have been granted for terms expiring on 20 March 2078 for residential use and 20 March 2048 for commercial use.	The property was vacant as at the date of valuation.	214,000,000 100% interest attributable to the Group: RMB214,000,000

Notes:

1. Jiaxing Hupan Richgate Real Estate Co., Ltd. ("嘉興湖畔華府置業有限公司, Jiaxing Richgate") is a wholly owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Certificate – Jia Tu Guo Yong (2010) Di No. 413114, the land use rights of a parcel of land with a site area of approximately 76,600.30 sq.m. have been granted to Jiaxing Richgate for a term expiring on 20 March 2078 for residential use and 20 March 2048 for commercial use.

3. Pursuant to a Construction Land Planning Permit – Jian Di Zi No. 330401200900004 in favour of Jiaxing Richgate, permission towards the planning of the subject land with a site area of approximately 76,600.30 sq.m. has been approved for construction.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Jiaxing Richgate is the sole owner of the property;

   b. The property is not subject to a mortgage or third party interests;

   c. Jiaxing Richgate can transfer the land use rights of the property after the development investment has been completed over 25%, but needs to notify the mortgagee of the transfer in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured; and

   d. As the date of valuation, the property had not been developed, according to relevant documents, the commencing date of the project has been delayed to 31 March 2011 and the completion date of the project has been delayed to 31 March 2014.If the property still remain undeveloped when the deadline expires, Jiaxing Richgate should pay 0.02% of the total land use rights granted premium to relevant department as penalty daily.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
42.	A parcel of land located at the southern side of EW2 Road, the western side of NS4 Road, the northern side of EW3 Road and the eastern side of Xinhong Road Wuxi City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 127,637 sq.m. which is planned to be developed into a residential area. As advised by the Group, upon completion the development will have a total gross floor area of approximately 204,219 sq.m. There are no development plans yet. The land use rights of the property have been granted for a term of 70 years for residential use.	The property was vacant as at the date of valuation.	No commercial value

Notes:

1. Wuxi Zhongqing Real Estate Development Co., Ltd ("無錫仲慶房地產開發有限公司, Wuxi Zhongqing Property") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – 3202032011CR0004 dated 7 January 2011, the land use rights of the property were contracted to be granted to Wuxi Zhongqing Property for a term of 70 years for residential use. The land premium was RMB382,150,000.

3. According to Supplemental Contract dated 27 April 2011 to the State-owned Land Use Rights Grant Contract – 3202032011CR004 on 27 April 2011, the grantee under the contract was changed from Wuxi Zhongqing Property to 無錫永慶房地產開發有限公司 (Wuxi Yongqing Real Estate Development Co., Ltd.), a wholly-owned subsidiary of Wuxi Zhongqing Property.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which states that the land use rights grant premium has been fully paid and there are no legal obstacles for Wuxi Zhongqing Property to obtain the state-owned land use rights certificate.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
43.	A parcel of land of Shenyang You Mountains phase IC located at the town of Lee Sang Lane Dongling District Shenyang City Liaoning Province The PRC	The property comprises a parcel of land with a site area of approximately 3,234 sq.m. As advised by the Group, the property is planned to be developed into a residential area with a total gross floor area of approximately 17,407 sq.m. There are no development plans yet. The land use rights of the property have been granted for residential and commercial uses.	The property was vacant as at the date of valuation.	10,460,000 98.95% interest Attributable to The Group: RMB10,350,000

Notes:

1. Shenyang You Mountains Development Management Co., Ltd. ("瀋陽綠康置業有限公司, Shenyang You Mountains") is a 98.95% owned subsidiary of the Company.

2. Pursuant to 2 Land Use Rights Grant Contracts – No. 2101122008A0001 and Shen Gui Guo Tu He Zi Dong Ling (2008) No. 002, the land use rights of 2 parcels of land were contracted to be granted to Shenyang You Mountains for various terms expiring on 31 July 2048 and 27 August 2048 for commercial use and expiring on 31 July 2058 and 27 August 2058 for residential use. The total land premium was RMB175,167,363.

3. Pursuant to a State-owned Land Use Rights Certificate – Dong Ling Guo Yong (2008) Di No. 07210563, the land use rights (comprising this property and property no. 24) with a site area of approximately 72,972.24 sq.m. have been granted to Shenyang You Mountains for residential and commercial uses.

4. Pursuant to 2 Mortgage Agreements dated 8 May 2009 and 20 December 2009 respectively entered into between Liaoning Branch of Agriculture Bank of China (the "Bank") and Shenyang You Mountains, the land use rights of Shenyang You Mountains were mortgaged to the Bank as security for 2 loans in the total amount of RMB300,000,000.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Shenyang You Mountains is the sole owner of the property and the land use rights grant premium has been fully paid;

   b. The property is subject to a mortgage; and

   c. Shenyang You Mountains can transfer the land use rights of the property after the development investment has been completed over 25%, but needs to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not be injured.

VALUATION CERTIFICATE

Group VI – Property interest contract to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
44.	A parcel of land located at the eastern side of Daxing Road Huangpu District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 37,129 sq.m. The land use rights of the property have been contracted to be granted for a term of 70 years for residential use.	As at the date of valuation, the property was occupied by some old buildings which will be demolished.	No commercial value

Notes:

1. Shanghai Jin Xin Real Estate Co., Ltd. ("上海金心置業有限公司, Jin Xin Real Estate") is a wholly owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Fang Di Huang [2004] Churang Hetong No. 47 dated 23 August 2004, the land use rights of a parcel of land with a site area of approximately 37,129 sq.m. have been contracted to be granted to Jin Xin Real Estate (then known as Shanghai Qinhai Real Estate Co., Ltd. (上海琴海置業有限公司)) for a term of 70 years for residential use. According to relevant documents Hu Jian Cheng (2001) No. 68 and Hu Fang Di Zi An [2002] No. 448（滬建城(2001)第68號文及滬房地資安[2002] 448號文）Jin Xin Real Estate does not need to pay the land use rights premium.

3. Pursuant to a Construction Land Planning Permit – Hu Gui Di (2003) No. 432 in favour of Jin Xin Real Estate, permission towards the planning of the subject land with a site area of approximately 37,130 sq.m. has been approved for construction.

4. As at the date of valuation, Jin Xin Real Estate has not yet obtained the land use rights certificate, the property has not been assigned to the Group and thus the title of the property has not been vested in the Group. Therefore we have attributed no commercial value to the property.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which states that there is no legal impediment for the Group to obtain the land use rights of the relevant land if the Group completes the relocation lawfully and meets the relocation requirements under the State-owned Land Use Rights Grant Contract mentioned in note 2 above.

The following are the texts of the letter, summary of values and valuation certificates received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its valuation as at 31 March 2011 of the property interests of the CNTD Group, which has been prepared for the purpose of incorporation into this circular.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

26 May 2011

The Directors
SRE Group Limited
Suite 2501, 25/F
Convention Plaza Office Tower
1 Harbour Road
Wan Chai
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to value the properties held by China New Town Development Company Limited (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") (as more particularly described in the valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the values of such properties as at 31 March 2011 (the "date of valuation").

Definition of Market Value

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumptions

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and its legal adviser, Yan Yiming Law Firm（上海嚴義明律師事務所）regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificates.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group, the potential tax liabilities which may arise from the sale of the properties include:

(a) business tax at a rate of 5% of consideration for the property in the PRC;

(b) profits tax on the profit from the sale at rate of 25% for the property in the PRC; and

(c) land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value from not more than 50% to more than 200%.

As at the time of this circular, the Group has confirmed that it has no intention to sell any of the properties which are to be held for occupation, investment and future development. Hence, the likelihood of any potential tax liability of these properties being crystallized is remote.

In respect of the Property Nos. 8 and 9 which are held by the Group for sale and under construction in the PRC, the Group advises that the potential tax liabilities is estimated to be approximately RMB1,233 million would arise if such property was to be sold at the amount of the valuation. The above amount is for indicative purpose and is calculated based on prevailing rules and information available as at the Latest Practicable Date.

Method of Valuation

In valuing the properties in Group I, which are held and occupied by the Group in the PRC, we have used the direct comparison approach assuming sale of the property in its existing state by making reference to comparable sales transactions as available in the relevant market.

In valuing the properties in Group II, which are held by the Group for investment in the PRC, we have used income approach on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property or by reference to comparable market transactions.

In respect of the properties in Groups III and IV, which are held by the Group for sale under construction and for future development respectively in the PRC, we have valued on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals provided to us (if any). We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

For property in Group V, which is leased by the Group in the PRC, is considered to have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of the substantial profit rents.

Source of Information

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Group in respect of the properties in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group regarding the Group's interests in the PRC properties.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Site Inspection

We have inspected the exterior and, wherever possible, the interior of the properties. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all money amounts indicated herein our valuations are in Renminbi (RMB), which is the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Senior Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 23 years' of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Group I – Properties held and occupied by the Group in the PRC

	Property	Capital value in existing state as at 31 March 2011 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at 31 March 2011 *(RMB)*
1.	Command center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮指揮中心	45,000,000	72.63	32,683,500
2.	Lake Malaren Convention Center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮 美蘭湖會議中心	207,000,000	72.63	150,344,100
3.	Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮 上海美蘭湖皇冠假日酒店	459,000,000	72.63	333,371,700
4.	Unit No. 815 of Retail Street on the west of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮 新鴻路以西的風情街815商舖單元	16,500,000	90	14,850,000
	Sub-total of Group I:	**727,500,000**		**531,249,300**

Group II – Properties held by the Group for investment in the PRC

	Property	Capital value in existing state as at 31 March 2011 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at 31 March 2011 *(RMB)*
5.	Various shops in Retail Street of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮風情街商舖	420,000,000	72.63	305,046,000
6.	Retail portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮 交通樞紐的商舖部份	190,000,000	72.63	137,997,000
7.	Various shops in Retail Street and the remaining land plot on the west of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮 新鴻路以西的風情街商舖及剩餘土地	164,000,000	90	147,600,000
	Sub-total of Group II:	**774,000,000**		**590,643,000**

Group III – Properties held by the Group for sale and under construction in the PRC

	Property	Capital value in existing state as at 31 March 2011 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at 31 March 2011 *(RMB)*
8.	Office portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的辦公樓部份	200,000,000	72.63	145,260,000
9.	Lake Malaren Silicon Valley Project in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖硅谷項目	978,000,000	72.63	710,321,400
	Sub-total of Group III:	**1,178,000,000**		**855,581,400**

Group IV – Properties held by the Group for future development in the PRC

	Property	Capital value in existing state as at 31 March 2011 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at 31 March 2011 *(RMB)*
10.	A parcel of land on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的一塊土地	175,000,000	90	157,500,000
11.	A parcel of land on the north side of Xixian Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮錫賢路北側的一塊土地	170,000,000	90	153,000,000
	Sub-total of Group III:	**345,000,000**		**310,500,000**

Group V – Property leased and occupied by the Group in the PRC

	Property	Capital value in existing state as at 31 March 2011 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at 31 March 2011 *(RMB)*
12.	Golf courses in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮高爾夫球場	No commercial value		No commercial value
	Sub-total of Group V:	**No commercial value**		**No commercial value**
	Grand total of Groups I to V:	**3,024,500,000**		**2,287,973,700**

VALUATION CERTIFICATE

Group I – Properties held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
1.	Command center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮指揮中心	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The command center comprises two buildings in Luodian New Town. One is a 2-storey building completed in 2003 and is known as Phase 1 of the property. Another is a 4-storey building completed in 2007 and is known as Phase 2 of the property. Phase 1 of the property has a total gross floor area of approximately 1,328.90 sq.m. without Shanghai Certificate of Real Estate Ownership. Phase 2 of the property has a total gross floor area of approximately 5,302.88 sq.m. with Shanghai Certificate of Real Estate Ownership. The property is held with land use rights for a term of 50 years from 6 September 2006 to 5 September 2056 for public facilities (organization) use.	The property is occupied by the Group as office.	RMB45,000,000 (72.63%interest attributable to the Group: RMB32,683,500)

Notes:–

(1) According to Shanghai Contract for Grant of State-owned Land Use Rights No. (2006) 168 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (the "Grantee") (a 72.63% subsidiary of SRE Group Limited) on 6 September 2006, the Grantor has granted the land use rights of the land in Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are summarized as follows:–

Location	:	south side of Yuepa Road and east side of Hutai Road, Baoshan District
Site area	:	12,142.7 sq.m.
Land premium	:	RMB2,185,680
Uses	:	Public facilities (Organization)
Land use term	:	50 years
Plot ratio	:	0.53 (total gross floor area shall not be more than 6,435.63 sq.m.)

(2) According to Shanghai Certificate of Real Estate Ownership No. (2008) 029673 dated 1 August 2008, the salient details of the Phase 2 of the property are summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.)
Location	:	No. 6655 Hutai Road
Land use	:	Public facilities (Organization)
Lot no.	:	Qiu 44/3, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From 6 September 2006 to 5 September 2056 (50 years)
Site area	:	12,142.70 sq.m.
Gross floor area	:	5,302.88 sq.m.

In the course of our valuation, we have ascribed no commercial value to the Phase 1 of the property as the Shanghai Certificate of Real Estate Ownership has not been issued to the Group.

(3) According to Planning Permit for Construction Use of Land No. (2006) 13060118E00091 issued by Urban Planning Administrative Bureau of Baoshan District on 17 January 2006, the construction project of 羅店新鎮指揮中心 (Command Center of Luodian New Town) on the land parcel situated on the south side of Meilanhu Road and on the east side of Luotai Road, with a site area of 17,260 sq.m. is in compliance with the urban planning requirements.

(4) According to Business Licence No. 310000400317858 dated 3 December 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development in Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) the Shanghai Certificate of Real Estate Ownership of the Phase 2 of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of Phase 2 of the property but has not yet obtained the relevant approval documents in respect of the construction of Phase 1 of the property. As such, the PRC government may require the demolition of Phase 1 of the property and the relevant government approval authority may impose administrative penalty on SGLD;

(iii) SGLD has the right to occupy, use and mortgage the land use rights and building ownership under the Shanghai Certificate of Real Estate Ownership of the property during the term of such rights in accordance with the PRC laws; and

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been duly paid and settled.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
2.	Lake Malaren Convention Center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖會議中心	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises a 5-storey convention centre/hotel complex in Luodian New Town. The complex comprises 4 convention halls, 2 multifunctional halls, 22 conference rooms, an exhibition hall, theatre, restaurants, 76 guest rooms, other entertainment facilities and underground car parking spaces. Completed in 2004, the property has a total gross floor area of approximately 33,537.26 sq.m.. The property is held with land use rights for a term of 50 years from 26 October 2005 to 25 October 2055 for public facilities use.	The property is currently operated as a convention center complex.	RMB207,000,000 (72.63%interest attributable to the Group: RMB150,344,100)

Notes:–

(1) According to Shanghai Contract for Grant of State-owned Land Use Rights No. (2005) 140 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (the "Grantee") (a 72.63% subsidiary of SRE Group Limited) on 26 October 2005, The Grantor has granted the land use rights of the land in Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are summarized as follows:–

Plot no.	:	Qiu 28/3, Jiefang 12, Luonan Town, Baoshan District
Site area	:	26,116 sq.m.
Land premium	:	RMB7,386,720
Uses	:	Public facilities
Land use term	:	50 years
Plot ratio	:	Total floor area shall not be more than 33,537.26 sq.m.

(2) According to Shanghai Certificate of Real Estate Ownership No. (2005) 035549 dated 27 October 2005 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) as follows:

Owner	:	Shanghai Golden Luodian Development Co. Ltd.
Location	:	No. 888 Luofen Road, Luonan Town, Baoshan District
Land area	:	26,116 sq.m.
Land use	:	Public facilities
Land use term	:	From 26 October 2005 to 25 October 2055
Gross floor area	:	33,537.26 sq.m.
Building uses	:	Hotel
Number of stories	:	5
Year of completion	:	2004

(3) According to Planning Permit for Construction Use of Land No. (2003) 0087 issued by Urban Planning Administrative Bureau of Baoshan District on 14 April 2003, the construction project of 羅店新鎮美蘭湖會議中心 (Lake Malaren Convention Center of Luodian New Town) on the land parcel situated on the south side of Nuobeier Road and on the west side of Luotai Road, with a site area of 18,340 sq.m. is in compliance with the urban planning requirements.

(4) According to Planning Permit for Construction Works No. (2003) 0383 issued by Planning Administrative Bureau of Baoshan District on 23 October 2003, the construction works of the convention center on the land parcel situated on the south side of Nuobeier Road and on the west side of Luotai Road, with an area of 34,560 sq.m. are in compliance with the urban planning requirements and have been approved.

(5) According to Business Licence No. 310000400317858 dated 3 December 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development in Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(6) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property;

(iii) SGLD has the right to occupy and use the land use rights and building ownership during the term of such rights in accordance with the PRC laws;

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been duly paid and settled; and

(v) the property has been mortgaged to the Industrial and Commercial Bank of China Limited Hunagpu Branch.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
3.	Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮上海美蘭湖皇冠假日酒店	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises a 9-storey hotel consisting of 274 guest rooms, underground car parking spaces, Chinese and western restaurants, bars, clubhouse, indoor swimming pools, gyms, spas and other facilities in Luodian New Town. Completed in 2006, the property has a total gross floor area of approximately 49,708.83 sq.m. of which approximately 37,477.35 sq.m. is above ground and approximately 12,231.48 sq.m. is underground. The property is held with land use rights of for a term of 40 years from 18 July 2003 to 17 July 2043 for commercial use.	The property is operated as a hotel under the name "Crowne Plaza Lake Malaren Shanghai Hotel" and is subject to a management agreement dated 20 June 2007 with 假日酒店（中國）有限公司 (Holiday Inns (China) Ltd.) for an initial term of 10 years after the full opening of the hotel; and an automatic renewal term of 10 years unless notice is given by either party to terminate the agreement.	RMB459,000,000 (72.63%interest attributable to the Group: RMB333,371,700)

Notes:–

(1) According to Shanghai Contract for Grant of State-owned Land Use Rights No. (2003) 14 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (the "Grantee") (a 72.63% subsidiary of SRE Group Limited) on 18 July 2003, The Grantor has agreed to grant the land use rights of the land located on the east side of Fuyuan Road, the south side of Malu River and the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are, inter alia, summarized as follows:–

Location	:	on the east side of Fuyuan Road, the south side of Malu Riverand the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai
Site area	:	336,491 sq.m.
Land premium	:	RMB47,108,740
Uses	:	Commercial and service
Land use term	:	40 years
Plot ratio	:	Not more than 0.4 (Total floor area shall not be more than 134,596.4 sq.m.)

(2) According to Shanghai Certificate of Real Estate Ownership No. (2007) 040750 dated 28 October 2007 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd) as follows:

Owner	:	Shanghai Golden Luodian Development Ltd.
Location	:	Qiu 88/8, Jiefang 5, Luonan Town, Baoshan District
Land use	:	Commercial and service
Land use term	:	From 18 July 2003 to 17 July 2043 (40 years)
Site area	:	336,491 sq.m.
Year of completion	:	2006
Gross floor area	:	49,708.83 sq.m.

(3) As advised by the Group, there are a hotel and a golf club house building located on the land. The Group cannot provide evidence to ascertain a separate site area for the portions of land occupied by the hotel and clubhouse building. However our valuation of the property is not affected by this uncertainty of the site area because the gross floor area of the property is certain.

(4) According to Planning Permit for Construction Use of Land No. (2002) 0275 issued by Planning Administrative Bureau of Baoshan District on 31 December 2002, the construction project of 羅店新鎮高爾夫俱樂部、練習場 (Driving range of golf club of Luodian New Town) on the land parcel situated on the west side of Panjing Road, with a site area of 340,000 sq.m. is in compliance with the urban planning requirements.

(5) According to Planning Permit for Construction Works No. (2004) 0268 issued by Planning Administrative Bureau of Baoshan District on 22 October 2004, the construction works of 羅店新鎮高爾夫俱樂部A幢 (Block A of golf club of Luodian New Town) on the land parcel situated at Meilanhu Road, with an area of 37,661 sq.m. are in compliance with the urban planning requirements and have been approved.

(6) According to Business Licence No. 310000400317858 dated 3 December 2009, Shanghai Golden Luodian Development Co. Ltd. was established with a registered capital of RMB548,100,000 for an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development in Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property;

(iii) SGLD has the right to occupy and use the land use rights and building ownership of the property during the term of such rights in accordance with the PRC laws;

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been duly paid and settled; and

(v) The property has been mortgaged to the Agricultrial Bank of China Limited Baoshan Branch.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
4.	Unit No. 815 of Retail Street on the west of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的風情街商舖815單元	The property comprises a unit of various 2 to 3-storey buildings erected on a parcel of land with a total site area of 31,715.60 sq.m. which is a portion of whole land with a total site area of approximately 88,903.40 sq.m. and is known as Retail Street of Hongshan New Town. Completed in 2008, the property comprises a total gross floor area of approximately 2,916.64 sq.m.. The property is held with land use rights for a term due to expire on 29 November 2047 for commercial use.	The property is used by the Group as office.	RMB16,500,000 (90%interest attributable to the Group: RMB14,850,000)

Notes:–

(1) According to State-owned Land Use Right Certificate No. (2008) 2 issued by Wuxi Peoples' Government on 23 January 2008, the land use rights of the property having a total site area of approximately 88,903.4 sq.m. have been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) (a 90% subsidiary of SRE Group Limited) for a term due to expire on 29 November 2047 for commercial use.

(2) According to Contract for Grant of State-owned Land Use Rights No. (2007) 51 entered into between 無錫市國土資源局 (Land Resources Bureau of Wuxi Municipality) (the "Grantor") and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Limited) (the "Grantee") on 16 November 2007, the Grantor has granted the land use rights of a parcel of land with site area of 88,903.4 sq.m. to the Grantee for a term of 40 years for commercial use at a consideration of RMB138,900,000.

(3) According to a Building Ownership Certificate issued by Wuxi Real Estate Administrative Bureau on 18 November 2008, the building ownership of the property with a total gross floor area of approximately 2,916.64 sq.m. has been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) for commercial use with details as follows:

Certificate No.	Address	No. of storey	GFA *(sq.m.)*
XQ1000109757	No. 815 Zhide Avenue	3	2,916.64

(4) According to Business Licence No. 320200400029334 dated 11 November 2009, 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) was established with a registered capital of USD24,900,000 for an operating period from 6 March 2007 to 5 March 2057. The scope of business comprises the real estate development, public facilities development and property management in Hongshan New Town.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) the State-owned Land Use Right Certificate and Building Ownership Certificate of the property are legal, valid and protected under the PRC laws and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) can lawfully enjoy the land sue rights under such certificates;

(ii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property;

(iii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) has the right to occupy, mortgage and use the land use rights and building ownership of the property during the term of such rights in accordance with the PRC laws; and

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been duly paid and settled.

(6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:–

State-owned Land Use Rights Certificate	Yes
Contract for Grant of Stated-owned Land Use Rights	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
5.	Various shops in Retail Street of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮風情街商舖	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises various shops and public utilities in Luodian New Town. The property was completed in 2004 and renovation works were completed in 2008. The property has a total gross floor area of approximately 72,494.23 sq.m.. The property is held with land use rights for a term of 50 years from 26 October 2005 to 25 October 2055 for public facilities use.	As at the date of valuation, portion of the property was subject to various lease agreements at a total monthly rent of RMB598,895 and the last expiry date of the lease agreements was 30 June 2021. The remaining portion of the property was vacant.	RMB420,000,000 (72.63%interest attributable to the Group: RMB305,046,000)

Notes:–

(1) According to Shanghai Contract for Grant of State-owned Land Use Rights No. (2005) 141 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (the "Grantee") (a 72.63% subsidiary of SRE Group Limited) on 26 October 2005, the Grantor has granted the land use rights of the land in Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are, inter alia, summarized as follows:–

Plot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Site area	:	90,329 sq.m.
Land premium	:	RMB22,420,980
Use	:	Public facilities
Land use term	:	50 years
Plot ratio	:	Total floor area shall not be more than 74,912 sq.m.

(2) According to Shanghai Certificate of Real Estate Ownership No. (2005) 035588 dated 27 October 2005, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.)
Location	:	Lanes 555, 689, 789, 989, Luofen Road, Luonan Town, Baoshan District
Land use	:	Public facilities
Lot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From 26 October 2005 to 25 October 2055 (50 years)
Site area	:	90,329 sq.m.

Year of completion	:	2004
Gross floor area	:	62,628.98 sq.m.

(3) According to Shanghai Certificate of Real Estate Ownership No. (2008) 028929 dated 29 July 2008, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.)
Location	:	No. 63 to 66 in Lanes 555 Luofen Road and No. 86 to 88 and Basement car park in Lane 698 Luofen Road
Land use	:	Public facilities
Lot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From 26 October 2005 to 25 October 2055 (50 years)
Site area	:	90,329 sq.m.
Year of completion	:	2008
Gross floor area	:	10,054.01 sq.m.

(4) According to Business Licence No. 310000400317858 dated 3 December 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development in Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) the Shanghai Certificates of Real Estate Ownership of the property are legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (SGLD) can lawfully enjoy the land use rights under such certificates;

(ii) SGLD has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property;

(iii) SGLD has the right to occupy and use the land use rights and building ownership during the term of such rights in accordance with the PRC laws;

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been duly paid and settled; and

(v) the property has been mortgaged to the Industrial and Commercial Bank of China Limited Hunagpu Branch.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificates of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
6.	Retail portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的商舖部份	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises the retail portion of Transport Center in Luodian New Town. Completed in 2010, the property has a total above ground gross floor area of approximately 20,977.90 sq.m. and a total under ground gross floor area of approximately 379 sq.m.. The property is held with land use rights for terms of 50 years and 40 years from 15 December 2009 for transport use and commercial use respectively.	As at the date of valuation, portion of the property was subject to various lease agreements at a total monthly rent of RMB66,858 and the last expiry date of the lease agreements was 31 December 2030. The remaining portion of the property was vacant.	RMB190,000,000 (72.63%interest attributable to the Group: RMB137,997,000)

Notes:–

(1) According to Shanghai Certificate of Real Estate Ownership No. (2010) 019799 dated 29 April 2010, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.)
Location	:	Qiu 93/20. Jiefang10, Luonan Town, Baoshan District
Land use	:	Other commercial use
Land use term	:	From 15 December 2009 to 14 December 2059 for public transport use From 15 December 2009 to 14 December 2049 for commercial use
Site area	:	17,969.20 sq.m.

(2) According to Contract for Grant of State-owned Land Use Rights No. (2009) 84 entered into between 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan District of Shanghai Municipality) (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (the "Grantee") (a 72.63% subsidiary of SRE Group Limited) on 24 November 2009, the Grantor has granted the land use rights of a parcel of commercial land to the Grantee with details as follows:–

(i)	Location	:	west of Hutai Road
(ii)	Site area	:	17,969.20 sq.m.
(iii)	Use	:	other commercial use
(iv)	Consideration	:	RMB59,400,000
(v)	Land use term	:	50 years for transport use and 40 years for commercial use

(3) According to Planning Permit of Construction Use of Land No. (2009) EA31011320691528 issued by 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan District of Shanghai Municipality) on 10 December 2009, the construction site of the property for transport and commercial uses with a site area of 17,969.20 sq.m. is in compliance with the urban planning requirements.

(4) According to Planning Permit for Construction Works No. (2010) FA31011320100726 dated 21 April 2010, the construction works of the project on the land parcel with gross floor area of 43,892 sq.m. are in compliance with the urban planning requirements and have been approved.

(5) According to Planning Permit for Commencement of Construction Works No. 09011BS0071D01 310113200909281519 dated 27 May 2010, the construction works of the project with gross floor area of 43,892 sq.m. are in compliance with the urban planning requirements and have been approved for commencement of construction.

(6) According to Business Licence No. 310000400317858 dated 3 December 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development in Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property;

(iii) SGLD has the right to occupy, use and mortgage the land use rights and building ownership during the term of such rights in accordance with the PRC laws; and

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been duly paid and settled.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Planning Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
7.	Retail Street and the remaining portion of land on the west of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的風情街商舖	The property comprises various 2 to 3-storey buildings erected on a parcel of land with a total site area of 31,715.60 sq.m. which is a portion of whole land with a total site area of approximately 88,903.40 sq.m. and is known as Retail Street of Hongshan New Town. Completed in 2008, the property has a total gross floor area of approximately 12,161.94 sq.m.. The property also comprises the remaining land plot of the land with a total site area of approximately 57,187.80 sq.m.. As advised by the Group, the remaining phase of Retail Street will be developed on the property with a total gross floor area of approximately 51,450 sq.m.. The property is held with land use rights for a term due to expire on 29 November 2047 for commercial use.	As at the date of valuation, portion of the retail street was subject to various lease agreements and the last expiry date of the lease agreements was 14 October 2015. The total monthly rent received was RMB45,443 for the leased portion. The remaining portion of the retail street was vacant. The remaining portion of land was a bare land.	RMB164,000,000 (90%interest attributable to the Group: RMB147,600,000)

Notes:–

(1) According to State-owned Land Use Right Certificate No. (2008)2 issued by Wuxi Peoples' Government on 23 January 2008, the land use rights of the property having a total site area of approximately 88,903.4 sq.m. have been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) (a 90% subsidiary of SRE Group Limited) for a term due to expire on 29 November 2047 for commercial use.

(2) According to Contract for Grant of State-owned Land Use Rights No. (2007) 51 entered into between 無錫市國土資源局 (Land Resources Bureau of Wuxi Municipality) (the "Grantor") and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Limited) (the "Grantee") on 16 November 2007, the Grantor has granted the land use rights of a parcel of land with site area of 88,903.4 sq.m. to the Grantee for a term of 40 years for commercial use at a consideration of RMB138,900,000.

(3) According to ten Building Ownership Certificates all issued by Wuxi Real Estate Administrative Bureau on 18 November 2008, the building ownership of the property with a total gross floor area of approximately 12,161.94 sq.m. has been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) for commercial use with details as follows:

Certificate No.	Address	No. of storey	GFA *(sq.m.)*
XQ1000109808-1	No. 803-1 to 803-6 Zhide Avenue	2	976.30
XQ1000109808-2	No. 803-1 to 803-6 Zhide Avenue	2	185.01
XQ1000109809	No. 811 Zhide Avenue	2	2,039.23
XQ1000109805	No. 807-1 to 807-4 Zhide Avenue	2	2,377.02
XQ1000109806	No. 809-1 to 809-2 Zhide Avenue	3	804.30
XQ1000109811	No. 813-1 to 813-2 Zhide Avenue	2	2,361.79
XQ1000109810-1	No. 805-1 to 805-13 Zhide Avenue	2	855.47
XQ1000109810-2	No. 805-1 to 805-13 Zhide Avenue	2	1,063.80
XQ1000109803-3	No. 805-1 to 805-13 Zhide Avenue	2	393.11
XQ1000109807	No. 801-1 to 801-5 Zhide Avenue	2	1,105.91
		Total:	12,161.94

(4) According to Business Licence No. 320200400029334 dated 11 November 2009, 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) was established with a registered capital of USD24,900,000 for an operating period from 6 March 2007 to 5 March 2057. The scope of business comprises the real estate development, public facilities development and property management in Hongshan New Town.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) the State-owned Land Use Right Certificate and Building Ownership Certificates of the property are legal, valid and protected under the PRC laws and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) can lawfully enjoy the land use rights and building ownership of the property under such certificates;

(ii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Ltd.) has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property;

(iii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) has the right to occupy, use and mortgage the land use rights and building ownership of the property during the term of such rights in accordance with the PRC laws; and

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been duly paid and settled.

(6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:–

State-owned Land Use Rights Certificate	Yes
Contract for Grant of State-owned Land Use Rights	Yes
Building Ownership Certificates	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Group for sale and under construction in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
8.	Office portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的辦公樓部份	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises the office portion of Transport Center in Luodian New Town. Advised by the Group, the property is scheduled to be completed by 31 December 2012. Occupation of the property is scheduled to be delivered by 2013. Upon completion, the property has a total planned above ground gross floor area of approximately 41,200 sq.m. and a total under ground gross floor area of approximately 10,700 sq.m.. The property is held with land use rights for terms of 50 years and 40 years from 15 December 2009 for transport use and commercial use respectively.	The property is currently under construction.	RMB200,000,000 (72.63%interest attributable to the Group: RMB145,260,000)

Notes:–

(1) According to Shanghai Certificate of Real Estate Ownership No. (2010) 019799 dated 29 April 2010, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.)
Location	:	Qiu 93/20. Jiefang10, Luonan Town, Baoshan District
Land use	:	Other commercial use
Land use term	:	From 15 December 2009 to 14 December 2059 for public transport use From 15 December 2009 to 14 December 2049 for commercial use
Site area	:	17,969.20 sq.m.

(2) According to Contract for Grant of State-owned Land Use Rights No. (2009) 84 entered into between 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan District of Shanghai Municipality) (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (the "Grantee") (a 72.63% subsidiary of SRE Group Limited) on 24 November 2009, the Grantor has granted the land use rights of a parcel of commercial land to the Grantee with details as follows:–

(i)	Location	:	west of Hutai Road
(ii)	Site area	:	17,969.20 sq.m.
(iii)	Use	:	other commercial use
(iv)	Consideration	:	RMB59,400,000
(v)	Land use term	:	50 years for transport use and 40 years for commercial use

(3) According to Planning Permit of Construction Use of Land No. (2009) EA31011320691528 issued by 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan District of Shanghai Municipality) on 10 December 2009, the construction site of the property for transport and commercial uses with a site area of 17,969.20 sq.m. is in compliance with the urban planning requirements.

(4) According to Planning Permit for Construction Works No. (2011) FA31011320110003 dated 4 January 2011, the construction works of the project on the land parcel with gross floor area of 8,629 sq.m. are in compliance with the urban planning requirements and have been approved.

(5) According to Planning Permit for Construction Works No. (2011) FA31011320110156 dated 26 January 2011, the construction works of the project on the land parcel with gross floor area of 41,563.5 sq.m. are in compliance with the urban planning requirements and have been approved.

(6) According to Planning Permit for Commencement of Construction Works No. 09011BS0071D02310113200909281519 dated 21 January 2011, the construction works of the project with gross floor area of 8,629 sq.m. are in compliance with the urban planning requirements and have been approved for commencement of construction.

(7) According to Planning Permit for Commencement of Construction Works No. 09011BS0071D01310113200909281519 dated 4 March 2011, the construction works of the project with gross floor area of 41,563.5 sq.m. are in compliance with the urban planning requirements and have been approved for commencement of construction.

(8) As advised by the Group, the total expended construction cost for the property as at the date of valuation was RMB92,900,000 whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB262,600,000. We have taken into account such amounts in our valuation.

(9) The capital value when completed of the proposed development as at the date of valuation was in the sum of RMB494,000,000.

(10) According to Business Licence No. 310000400317858 dated 3 December 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development in Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(11) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property;

(iii) SGLD has the right to occupy and use the land use rights during the term of such rights in accordance with the PRC laws;

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been duly paid and settled; and

(v) the property has been mortgaged to the Minsheng Bank of China Limited, Shanghai Branch.

(12) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (Portion)
Planning Permit for Commencement of Construction Works	Yes (Portion)
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
9.	Lake Malaren Silicon Valley Project in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖硅谷項目	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises a parcel of land which, together with the sites on which a hotel and a clubhouse are erected, has a site area of approximately 336,491 sq.m. in Luodian New Town. The Group cannot provide evidence to ascertain a separate site area for the portion of land excluding the site area occupied by hotel and clubhouse but advises that the total above ground gross floor area of the hotel and clubhouse is 37,477.35 sq.m.. Based on the information in the Grant Contract, the remaining unexpended potential of permissible gross floor area on the property is estimated to be approximately 97,119.05 sq.m. (134,596.40 sq.m. less 37,477.35 sq.m.). As advised by the Group, a commercial development comprising 249 buildings is planned to be developed. It is expected the date of completion is scheduled to be within 2015. As advised by the Group, the total planned above ground gross floor area is approximately 97,035 sq.m. and the total under ground gross floor area is approximately 84,700.33 sq.m.. The property is held with land use rights for a term of 40 years from 18 July 2003 to 17 July 2043 for commercial use.	The property is currently under construction.	RMB978,000,000 (72.63% interest attributable to the Group: RMB710,321,400)

Notes:–

(1) According to Shanghai Contract for Grant of State-owned Land Use Rights No. (2003) 14 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (the "Grantee") (a 72.63% subsidiary of SRE Group Limited) on 18 July 2003, The Grantor has agreed to grant the land use rights of the land located on the east side of Fuyuan Road, the south side of Malu River and the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are, inter alia, summarized as follows:–

Location	:	on the east side of Fuyuan Road, the south side of Malu Riverand the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai
Site area	:	336,491 sq.m.
Land premium	:	RMB47,108,740
Uses	:	Commercial and service

Land use term	:	40 years
Plot ratio	:	Not more than 0.4 (Total floor area shall not be more than 134,596.4 sq.m.)

(2) According to Shanghai Certificate of Real Estate Ownership No. (2007) 040750 dated 28 October 2007 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in Shanghai Golden Luodian Development Co. Ltd as follows:

Owner	:	Shanghai Golden Luodian Development Co. Ltd.
Location	:	Qiu 88/8, Jiefang 5, Luonan Town, Baoshan District
Land use	:	Commercial
Land use term	:	From 18 July 2003 to 17 July 2043 (40 years)
Site area	:	336,491 sq.m.

(3) As advised by the Group, there are a hotel and a golf club house building located on the land. The Group cannot provide evidence to ascertain a separate site area for the portion of land occupied by the hotel and clubhouse but advises that the total above ground gross floor area of the hotel and clubhouse is 37,477.35 sq.m.. Based on the information in the Grant Contract, the remaining unexpended potential of permissible gross floor area on the property is estimated to be approximately 97,119.05 sq.m. (i.e. 134,596.40 sq.m. less 37,477.35 sq.m.). However our valuation of the property is not affected by this uncertainty of the site area because the gross floor area of the property is certain.

(4) According to Planning Permit for Construction Use of Land No. (2002) 0275 issued by Planning Administrative Bureau of Baoshan District on 31 December 2002, the construction project of 羅店新鎮高爾夫俱樂部、練習場 (Driving range of golf club of Luodian New Town) on the land parcel situated on the west side of Panjing Road, with a site area of 340,000 sq.m. is in compliance with the urban planning requirements.

(5) According to Planning Permit for Construction Works No. (2011) FA31011320112010 dated 31 January 2011, the construction works of the project on the land parcel with gross floor area of 109,053.80 sq.m. are in compliance with the urban planning requirements and have been approved.

(6) According to Planning Permit for Commencement of Construction Works No. 1001BS0100D01 310113201012210301 dated 17 March 2011, the construction works of the project with gross floor area of 109,053.80 sq.m. are in compliance with the urban planning requirements and have been approved for commencement of construction.

(7) As advised by the Group, the total expended construction cost for the property as at the date of valuation was RMB216,000,000 whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB808,000,000. We have taken into account such amounts in our valuation.

(8) The capital value when completed of the proposed development as at the date of valuation was in the sum of RMB2,911,000,000.

(9) According to Business Licence No. 310000400317858 dated 3 December 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development in Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(10) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property;

(iii) SGLD has the right to occupy and use the land use rights and building ownership during the term of such rights in accordance with the PRC laws;

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been duly paid and settled; and

(v) the property has been mortgaged to the Agricultural Bank of China Limited Baoshan Branch.

(11) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (Portion)
Planning Permit for Commencement of Construction Works	Yes (Portion)
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
10.	A parcel of land on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的一塊土地	The property comprises a parcel of land with a total site area of approximately 69,212.40 sq.m. As advised by the Group, a proposed residential development will be developed on the property with a total gross floor area of approximately 83,054.88 sq.m.. The property is held with land use rights for terms of 40 years for commercial use, 70 years for residential use an 50 years for other uses.	The property is currently a vacant land	RMB175,000,000 (90% interest attributable to the Group: RMB157,500,000)

Notes:

(1) According to Contract for Grant of State-owned Land Use Rights No. (2008) 41 entered into between 無錫市國土資源局 (Land Resources Bureau of Wuxi Municipality) (the "Grantor") and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) (the "Grantee") (a 90% subsidiary of SRE Group Limited) on 6 May 2008, the Grantor has granted the land use rights of a parcel of land to the Grantee with details as follows:

(i)	Location	:	west side of Xinhong Road
(ii)	Site area	:	69,212.40 sq.m.
(iii)	Use	:	residential
(iv)	Consideration	:	RMB125,000,000
(v)	Land use term	:	40 years for commercial use, 70 years for residential use and 50 years for other uses
(vi)	Plot ratio	:	1.05 to 1.2

According to Supplemental Contract to the Contract for Grant of State-owned Land Use Rights No. (2008) 41 entered into between the Grantor, the Grantee and 無錫鴻慶房地產開發有限公司 (Wuxi Hongqing Real Estate Development Co. Ltd.) on 7 June 2010 (the "Supplemental Contract"), the grantee under the contract was changed from 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) to Wuxi Hongqing Real Estate Development Co. Ltd. The date of commencement of construction works has been extended to 30 August 2010 and the date of completion of construction of works has been extended to 28 February 2013.

(2) According to State-owned Land Use Rights Certificate No. (2011) 022 dated 12 April 2011, the property has been vested in 無錫鴻慶房地產開發有限公司 (Wuxi Hongqing Real Estate Development Co. Ltd.) for a term due to expire on 3 February 2080 for residential use.

(3) According to Planning Permit for Construction Use of Land No. 3202012010X0014 dated 27 January 2011, the construction site of the project on the land parcel with site area of 69,183.8 sq.m. is in compliance with the urban planning requirements.

(4) As advised by the Group, the total expended construction cost for the property as at the date of valuation was nil whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB266,000,000. We have taken into account such amounts in our valuation.

(5) The capital value when completed of the proposed development as at the date of valuation was in the sum of RMB623,000,000.

(6) According to Business License No. 320213000131430 dated 27 April 2010, 無錫鴻慶房地產開發有限公司 (Wuxi Hongqing Real Estate Development Co. Ltd.) was established with a registered capital of RMB8,000,000. The scope of business comprises the real estate development and operation.

(7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the Contract for Grant of State-owned Land Use Rights of the property is legal, valid and protected under the PRC laws;

(ii) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled; and

(iii) according to the Supplemental Contract, construction of the property is required to commence prior to 30 August 2010 but Wuxi Hongqing Real Estate Development Co. Ltd. has not yet obtained the relevant approval documents in respect of the construction of the property and construction of the property and has not yet commenced. Pursuant to the Contract for Grant of State-owned Land Use Rights No. (2008) 41, the Grantor may impose a fine on Wuxi Hongqing Real Estate Development Co. Ltd. of less than 20% of the land premium payable if construction failed to commence within one year of the construction commencement date prescribed under the Contract for Grant of State-owned Land Use Rights and may take back the land use rights if construction failed to commence within two years of the construction commencement date prescribed under the Contract for Grant of State-owned Land Use Rights.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

State-owned Land Use Rights Certificate	Yes
Contract for Grant of State-owned Land Use Rights	Yes
Supplementary Contract for Grant of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	No
Planning Permit for Construction Works	No
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011
11.	A parcel of land on the north side of Xixian Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮錫賢路北側的一塊土地	The property comprises a parcel of land with a total site area of approximately 74,762.9 sq.m. As advised by the Group, a proposed hotel and convention center development will be developed on the property with a total gross floor area of approximately 82,239.19 sq.m.. The property is held with land use rights for a term due to expire on 3 February 2050 for commercial use.	The property is currently a vacant land	RMB170,000,000 (90% interest attributable to the Group: RMB153,000,000)

Notes:

(1) According to Contract for Grant of State-owned Land Use Rights No. (2008) 20 entered into between 無錫市國土資源局 (Land Resources Bureau of Wuxi Municipality) (the "Grantor") and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) (the "Grantee") (a 90% subsidiary of SRE Group Limited) on 25 January 2008, the Grantor has granted the land use rights of a parcel of land to the Grantee with details as follows:

(i)	Location	:	north side of Xixian Road
(ii)	Site area	:	74,762.9 sq.m.
(iii)	Use	:	commercial
(iv)	Consideration	:	RMB121,900,000
(v)	Land use term	:	40 years for commercial use
(vi)	Plot ratio	:	1.0 to 1.1

According to Supplemental Contract to the Contract for Grant of State-owned Land Use Rights No. (2008) 20 entered into between the Grantor and the Grantee on 21 May 2010, the date of commencement of construction works has been extended to 30 May 2010 and the date of completion of construction of works has been extended to 30 May 2012.

As advised by the Group, the Group is waiting for the relevant authorities issuing relevant permit for construction and no penalty is arisen presently due to the delay of commencement of construction works.

(2) According to State-owned Land Use Rights Certificate No (2010) 014 dated 12 July 2010, the property has been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co., Ltd.) for a term due to expire on 3 February 2050 for commercial use.

(3) According to Planning Permit for Construction Use of Land No. 3202012010X0019 dated 10 February 2010, the construction site of the project on the land parcel with site area of 74,762.9 sq.m. is in compliance with the urban planning requirements.

(4) As advised by the Group, the total expended construction cost for the property as at the date of valuation was nil whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB411,000,000. We have taken into account such amounts in our valuation.

(5) The capital value when completed of the proposed development as at the date of valuation was in the sum of RMB822,000,000.

(6) According to Business License No. 320200400029334 dated 11 November 2009, 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) was established with a registered capital of US$24,900,000 for an operating period from 6 March 2007 to 5 March 2057. The scope of business comprises the real estate development, public facilities development and property management in Hongshan New Town.

(7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the State-owned Land Use Rights Certificate and Contract for Grant of State-owned Land Use Rights of the property are legal, valid and protected under the PRC laws;

(ii) 無錫鴻山新城開發有限公司 Wuxi, Hongshan New Town Development Co., Ltd.) has the right to use, occupy, and mortgage the land use rights of the property; and

(iii) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

State-owned Land Use Rights Certificate	Yes
Contract for Grant of State-owned Land Use Rights	Yes
Supplementary Contract for Grant of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	No
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Property leased and occupied by the Group in the PRC

	Property	Description and particulars of tenancy	Capital value in existing state as at 31 March 2011
12	Golf courses in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮高爾夫球場	The property comprises an existing 36-hole international golf course occupying a site area of approximately 1,146,081 sq.m. (1,719 mu), in Luodian New Town, Baoshan District. The 36-hole international golf course comprises two 18-hole golf courses named the South Lake Course and the North Forest Course. The 18-hole South Lake Course commenced operation in August 2004 and measures 7,248 yards in length and is par 72. The 18-hole North Forest Course, which commenced operation in September 2005 and measures 7,266 yards in length and is par 72. The property is currently under the operation of and managed by 上海美蘭湖高爾夫俱樂部有限公司 (Shanghai Lake Malaren Golf Club Co. Ltd.) (a subsidiary of SRE Group Limited). The property is leased from Luodian Town Government to 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) ("SGLD") for a term of 40 years from 23 October 2003. During the lease term, SGLD is exempt from payment of rent but should bear the charge of maintenance of the course, and should pay the business tax related to the operation of the golf course to Luodian Town finance. According to the PRC legal opinion, the lease agreement is binding upon the lessor and lessee. Upon the inquiry of the Group, Luodian Town Government, as the lessor of golf course, failed to provide the land use right documents of the golf course. If SGLD could not use the golf course according to the lease agreement due to the land use right disputes of the golf course, SGLD is entitled to claim the compensation in accordance with the lease agreement.	No commercial value

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly/collectively and severally/individually accept full responsibility for the accuracy and completeness of information contained in this circular other than that in respect of the Subscriber and persons acting in concert with it and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular other than opinions expressed by the Subscriber and persons acting in concert with it have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Further, the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The information contained in this circular relating to the Subscriber and persons acting in concert with it has been supplied by the directors of the Subscriber who jointly/collectively and severally/individually accept full responsibility for the accuracy and completeness of information contained in this circular relating to the Subscriber and persons acting in concert with it and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular other than opinions expressed by the Company or the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

(1) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:

8,000,000,000	Shares	HK$800,000,000.00

Issued and fully paid up or credited as fully paid up:

4,303,881,194	Shares	HK$430,388,119.40

All of the Shares rank pari passu in all respects, including as to dividends, voting and capital.

The Shares are listed on and traded on the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

There has been no alteration to the authorised share capital of the Company since the end of its last financial year, being 31 December 2010. Save for the allotment and issue of 700,000,000 Shares by the Company to the Subscriber on 28 March 2011 pursuant to the subscription agreement dated 9 December 2010 entered into between the Company and the Subscriber, there has been no increase in the issued share capital of the Company since 31 December 2010 and up to the Latest Practicable Date.

(2) Share options

The Company adopted a share option scheme on 23 May 2002. Pursuant to such scheme, the maximum number of Shares upon which options may be granted when aggregated with those granted under any other share option scheme of the Company in issue may not exceed 82,963,000 Shares, representing approximately 1.93% of the issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, there were no outstanding options to subscribe for Shares.

(3) Convertible bonds

The Company had on 24 July 2009 issued the Outstanding Convertible Bonds. As at the Latest Practicable Date, the outstanding amount of the Outstanding Convertible Bonds was convertible into a maximum of 511,074,068 Shares based on the current conversion price.

Save as disclosed in the section headed "Share Capital, Share Options and Convertible Bonds" in this Appendix, there were no options, warrants or conversion rights affecting the Shares outstanding as at the Latest Practicable Date.

3. MARKET PRICES OF SHARES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the 6 months immediately preceding 6 May 2011, being the date of the Announcement and ending on the Latest Practicable Date; (ii) the Last Trading Day; (iii) 6 May 2011, being the date of the Announcement and (iv) on the Latest Practicable Date were as follows:

Date	Closing price of the Shares
30 October 2010	HK$0.79
30 November 2010	HK$0.77
31 December 2010	HK$0.78
31 January 2011	HK$0.78
28 February 2011	HK$0.70
31 March 2011	HK$0.71
29 April 2011	HK$0.70
Last Trading Day	HK$0.69
6 May 2011	HK$0.69
Latest Practicable Date	HK$0.68

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing 6 months preceding 6 May 2011, being the date of the Announcement, and ending on the Latest Practicable Date were HK$0.82 on 10 November 2010, 7 January 2011, 18 January and 19 January 2011 and HK$0.66 on 17 March 2011.

4. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, to be notified to the Company and Stock Exchange; or (iv) which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

(i) Long position in Shares and underlying Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	7,246,887	2,220 *(Note 1)*	2,498,400,938 *(Note 2)*	2,505,650,045	58.22%
Li Yao Min	5,172,220	–	–	5,172,220	0.12%
Yu Hai Sheng	6,235,987	–	–	6,235,987	0.14%
Zhuo Fumin	–	140,000 *(Note 3)*	–	140,000	0.003%

Notes:

1. *These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.*

2. *These Shares comprised 1,798,400,938 Shares held by the Subscriber, the Lent Shares (being 150,000,000 Shares, representing approximately 3.49% of the issued share capital of the Company as at the Latest Practicable Date) and 550,000,000 Shares which the Subscriber is deemed interested in under the SFO by virtue of it having entered into the Convertible Note Subscription Agreement.*

3. *These Shares were held by Md. He Pei Pei, the spouse of Mr. Zhuo Fumin.*

(ii) Long position in shares of CNTD

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	–	–	2,396,781,817 *(Note)*	2,396,781,817	61.46%
Li Yao Min	2,666,250	–	–	2,666,250	0.068%
Yue Wai Leung, Stan	2,073,750	–	–	2,073,750	0.053%

Note: These 2,396,781,817 shares were held by Sinopower Investment Limited which is a wholly-owned subsidiary of the Company. The Subscriber is a controlling shareholder of the Company interested in more than 30% of the issued share capital of the Company. As Mr. Shi Jian and his spouse, Md. Si Xiao Dong together beneficially own 63% of the issued share capital of the Subscriber, Mr. Shi is therefore taken to be interested in these 2,396,781,817 shares under the SFO.

(iii) Long position in options granted pursuant to the Management Grant of CNTD

Name of Director	No. of shares exercisable under the Management Grant of CNTD	No. of shares awarded but not yet exercisable under the Management Grant of CNTD	Total	Approximate percentage of shareholding of CNTD
Li Yao Min	–	3,258,750	3,258,750	0.084%
Yue Wai Leung, Stan	–	3,258,750	3,258,750	0.084%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(b) So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) or corporations had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	**Capacity**	**Number of issued ordinary shares held** *(Note 1)*	**Approximate percentage of shareholding**
Si Xiao Dong	Beneficial owner, spouse and corporate interest	2,505,650,045 (L) *(Note 2)*	58.22%
The Subscriber	Beneficial owner	2,498,400,938 (L) *(Note 3)*	58.05%
Deutsche Bank Aktiengesellschaft	Beneficial owner and person having a security interest in shares	177,330,964 (L) 86,626,000 (S) 646,000 (P)	4.92% 2.40% 0.01%

Notes:

1. *"L" represents long positions in Shares, "S" represents short positions in Shares and "P" represents Lending Pool.*

2. *These Shares comprised 2,220 Shares held by Md. Si Xiao Dong, 7,246,887 Shares held by her spouse Mr. Shi Jian and 2,498,400,938 Shares which the Subscriber is interested in. Such 2,498,400,938 Shares comprise 1,798,400,938 Shares held by the Subscriber, the Lent Shares and 550,000,000 Shares which the Subscriber is deemed interested in under the SFO by virtue of it having entered into the Convertible Note Subscription Agreement.*

3. *These Shares comprised 1,798,400,938 Shares held by the Subscriber, the Lent Shares and 550,000,000 Shares which the Subscriber is deemed interested in under the SFO by virtue of it having entered into the Convertible Note Subscription Agreement.*

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) As at the Latest Practicable Date, so far as was known to the Directors, the following Directors are also directors of the Subscriber:

Name of Director	**Position held in the Subscriber**
Mr. Shi Jian	director
Mr. Li Yao Min	director

(d) Mr. Cheung Wing Yui, a non-executive Director, is a consultant of Woo, Kwan, Lee & Lo, the Company's legal advisers on Hong Kong law in relation to the Convertible Note Subscription and the Whitewash Waiver. Woo, Kwan, Lee & Lo will receive normal fees for professional services rendered in connection therewith.

5. SHAREHOLDINGS AND DEALINGS

(A) Shareholdings and dealings in the shares and the convertible securities, warrants, options and derivatives in respect of the shares of the Subscriber (the "Subscriber Securities")

(a) As at the Latest Practicable Date:

(i) the Company was not interested in any Subscriber Securities;

(ii) save as disclosed in Note 1, Note 2 and Note 5 to the table set out in the section headed "Effect of the Convertible Note Subscription" in the Letter from the Board in this circular:

(1) none of the directors of the Subscriber or the Directors was interested in any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(2) none of the persons acting in concert with the Subscriber owned or controlled any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and

(3) none of the Subscriber nor any persons acting in concert with it had borrowed or lent any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(b) None of the Company nor the Directors had dealt for value in the Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning 6 months prior to 6 May 2011, being the date of the Announcement, and ending on the Latest Practicable Date.

(c) None of the Subscriber, its directors nor persons acting in concert with the Subscriber had dealt for value in the Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning 6 months prior to 6 May 2011, being the date of the Announcement, and ending on the Latest Practicable Date.

(B) Shareholdings and dealings in the Shares and the convertible securities, warrants, options and derivatives in respect of the Shares (the "Company Securities")

(a) As at the Latest Practicable Date:

(i) the Subscriber was not interested in any Company Securities other than 1,948,400,938 Shares (including the 150,000,000 Lent Shares) and the 550,000,000 Shares which it is deemed interested in under the SFO by virtue of it having entered into the Convertible Note Subscription Agreement;

(ii) save as disclosed in the table set out in the section headed "Disclosure of Interests" in this Appendix, none of the Directors was interested in any Company Securities;

(iii) none of the Company nor the Directors had borrowed or lent any Company Securities; and

(iv) none of the Subscriber nor any persons acting in concert with the Subscriber had borrowed or lent any Company Securities, save for the Lent Shares.

(b) Save for the allotment and issue by the Company of 700,000,000 Shares to the Subscriber on 28 March 2011, the Subscriber and the Directors had not dealt for value in any Company Securities during the period beginning 6 months prior to 6 May 2011, being the date of the Announcement, and ending on the Latest Practicable Date.

6. VOTING ON THE WHITEWASH WAIVER

(a) As at the Latest Practicable Date, no person had, prior to the posting of this circular, irrevocably committed themselves to vote for or against the Convertible Note Subscription and/or the Whitewash Waiver.

(b) As at the Latest Practicable Date, Mr. Shi Jian, Mr. Li Yao Min and Mr. Yu Hai Sheng were the only Directors who hold Shares, but being persons acting in concert with the Subscriber, they will abstain from voting on the resolution to be proposed at the SGM to approve the Whitewash Waiver.

(c) The Subscriber, its ultimate beneficial owners and persons acting in concert with any of them (including Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong and Mr. Shi Jian Dong), their respective associates and those involved or interested in the Convertible Note Subscription and the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution to approve the Whitewash Waiver.

7. DIRECTORS' SERVICE CONTRACTS

(a) Service contracts/appointment letters with the Company

As at the Latest Practicable Date, each of the following executive Directors had entered into service contracts with the Company and each of the following non-executive Directors and independent non-executive Directors had entered into appointment letters with the Company, the terms and conditions of which are summarized below:

Name of Director	Date of service contract/ appointment letter	Term	Prevailing fixed annual remuneration	Termination notice period or payment in lieu of notice
Executive Directors				
Shi Jian	2 June 2010	1 July 2010 to 30 June 2013	HK$2,000,000	6 months' written notice
Li Yao Min	2 June 2010	1 July 2010 to 30 June 2013	HK$1,500,000	6 months' written notice
Yu Hai Sheng	2 June 2010	1 July 2010 to 30 June 2013	HK$2,500,000	6 months' written notice
Jiang Xu Dong	2 June 2010	1 July 2010 to 30 June 2013	HK$2,000,000	6 months' written notice
Shi Pin Ren	2 June 2010	2 June 2010 to 1 June 2013	HK$2,000,000	6 months' written notice
Yue Wai Leung, Stan	3 June 2009	3 June 2009 to 2 June 2012	HK$2,200,000	6 months' written notice
Non-executive Directors				
Jin Bing Rong	2 June 2010	1 July 2010 to 30 June 2012	HK$330,000	1 month's written notice
Cheung Wing Yui	2 June 2010	1 July 2010 to 30 June 2012	HK$360,000	1 month's written notice
Independent non-executive Directors				
Jiang Xie Fu	2 June 2010	1 July 2010 to 30 June 2012	HK$330,000	1 month's written notice

Name of Director	Date of service contract/ appointment letter	Term	Prevailing fixed annual remuneration	Termination notice period or payment in lieu of notice
E. Hock Yap	2 June 2010	1 July 2010 to 30 June 2012	HK$330,000	1 month's written notice
Zhuo Fumin	30 November 2010	30 November 2010 to 29 November 2012	HK$360,000	1 month's written notice

The fixed annual remuneration of the executive Directors after the first anniversary of the term of the service agreement is to be determined by the Board or the remuneration committee of the Board (as the case may be). Each executive Director is also entitled to an annual management bonus under the relevant service contract, the amount of which is to be determined by the Board from time to time, provided that the aggregate management bonus payable to all executive Directors for a financial year shall not be more than 10% of the Company's net profit after taxation and minority interests as shown in the audited consolidated financial statements of the Company for the relevant year.

(b) Service contracts/appointment letters with CNTD

As at the Latest Practicable Date, each of Mr Shi Jian and Mr Li Yao Min had also entered into service contracts with CNTD and Mr Yue Wai Leung Stan had entered into an appointment letter with CNTD, a subsidiary of the Company, the terms and conditions of which are summarized below:

Name of Director	Date of service contract/ appointment letter	Term	Prevailing fixed annual remuneration	Termination notice period or payment in lieu of notice
Shi Jian	22 October 2010	22 October 2010 to 21 October 2013	HK$1,000,000	6 months' written notice or payment in lieu of notice
Li Yao Min	22 October 2010	22 October 2010 to 21 October 2013	HK$2,000,000	6 months' written notice or payment in lieu of notice
Yue Wai Leung Stan	22 October 2010	22 October 2010 to 21 October 2013	HK$240,000, unless otherwise determined by the board of directors of CNTD	6 months' written notice

The fixed annual remuneration of Mr Shi Jian and Mr Li Yao Min as referred to above is subject to review from time to time by the board of CNTD and the remuneration committee of CNTD. Each of Mr Shi Jian and Mr Li Yao Min is also entitled to a discretionary performance bonus as may be determined by the board of CNTD.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation), nor has any of the Directors entered into any service contract with any member of the Group or associated companies which are in force and which have more than 12 months to run irrespective of the notice period or which are continuous contracts with a notice period of 12 months or more, or which has been entered into or amended within 6 months prior to 6 May 2011, being the date of the Announcement.

8. LITIGATION

So far as the Directors were aware, as at the Latest Practicable Date, there is no material litigation to which the Company is, or may become, a party.

9. COMPETING INTEREST

So far as the Directors are aware, as at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

10. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

11. INTEREST IN CONTRACTS AND ARRANGEMENTS

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) have been entered into by the members of the Group after the date of two years preceding the date of the Announcement and up to and including the Latest Practicable Date and which are or may be material:

(a) The placing and subscription agreement dated 29 June 2009 entered into between the Company, the Subscriber as vendor, Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch as placing agents (the "**Placing Agents**") in relation to the placing of up to 520,000,000 then existing Shares (the "**Placing Shares**") by the Placing Agents (the "**Placing**") at HK$0.96 per Share and the subscription by the Subscriber for the same number of new Shares as the Placing Shares successfully sold at the completion date of the Placing at the subscription price of HK$0.96 per Share.

(b) The subscription agreement dated 29 June 2009 entered into between the Company and Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch as joint bookrunners in respect of the subscription of the Outstanding Convertible Bonds at 100% of their principal amount.

(c) The subscription agreement dated 2 July 2009 entered into between CNTD as the issuer and Sinopower Investment Limited as the subscriber in relation to the issue of up to 293,795,512 new CNTD Shares at S$0.07872 per share.

(d) The subscription agreement dated 28 July 2009 entered into between CNTD as the issuer and Sinopower as the subscriber in relation to the subscription of up to RMB300,000,000 in aggregate principal amount of 2% convertible bonds of CNTD due 2016.

(e) The sale and purchase agreement dated 28 October 2009 entered into between Mr. Ng Chi Ming Ken ("**Mr. Ng**") as the vendor and Konmen Investment Limited ("**Konmen Investment**") as the purchaser in relation to the sale and purchase of (i) the entire issued share capital of Goldjoy Investment Limited（金怡投資有限公司）("**Goldjoy**") and (ii) an interest free shareholder's loan in the sum of HK$38,961,230.61 with no designated term of repayment owing by Goldjoy at the total consideration of HK$750,000,000.

(f) The agreement dated 10 February 2010 entered into between the Subscriber, Sinopower and the Company to terminate the sale and purchase agreement dated 21 January 2010 entered into between the Subscriber, Sinopower and the Company in relation to the sale and purchase of the entire issued share capital of, and the shareholders' loan to, Gao Feng Limited from the Subscriber.

(g) The sale and purchase agreement dated 10 February 2010 entered into between Md. Li De E as the vendor and Sinopower as the purchaser in relation to the sale and purchase of (i) 1 share of Big Prime Limited ("**Big Prime**") and (ii) an interest free shareholder's loan in the sum of US$2,874,257 owing by Big Prime to Ms. Li De E at the total consideration of RMB$305,000,000.

(h) The agreement dated 26 March 2010 entered into between 上海金羅店開發有限公司 (Shanghai Golden Loudian Development Co., Ltd.) ("**SGLD**"), 上海美蘭湖高爾夫俱樂部有限公司 (Shanghai Lake Malaren Golf Club Co., Ltd.) ("**SLMGC**") and 上海上置物業管理有限公司 (Shanghai Good Property Management Co., Ltd.) ("**SGPM**") pursuant to which SGLD and SLMGC agreed to sell their respective 52% and 48% equity interest in 上海美蘭湖物業管理有限公司 (Shanghai Lake Malaren Property Management Co., Ltd.) to SGPM for the consideration of RMB1,580,000 and RMB1,459,200 respectively.

(i) The sale and purchase agreement dated 6 December 2010 entered into between Mr. Pau Shing Kwan as the vendor and Sinopower as the purchaser in relation to the sale and purchase of (i) the entire issued share capital of Cheswing Limited ("**Cheswing**") and (ii) an interest free shareholder's loan in the sum of US$25,799,999 owing by Cheswing to Mr. Pau Shing Kwan at the total consideration of US$36,000,000.

(j) The subscription agreement dated 9 December 2010 between the Subscriber and the Company relating to the subscription by the Subscriber of 700,000,000 Shares at the subscription price of HK$0.81 per Share.

(k) The Convertible Note Subscription Agreement.

13. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010 (being the date to which the latest published audited accounts of the Group were made up).

14. QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The following is the qualification of the experts who have given opinion or advice which is contained or referred to in this circular:

Name	Qualification
OSK Capital Hong Kong Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Convertible Note Subscription IBC, the Whitewash IBC and the Independent Shareholders on the Convertible Note Subscription and the Whitewash Waiver
DTZ Debenham Tie Leung Limited	property valuer
Jones Lang LaSalle Sallmanns Limited	property valuer
Yan Yiming Law Firm	PRC lawyers

(b) As at the Latest Practicable Date, none of OSK Capital, DTZ Debenham Tie Leung, Jones Lang LaSalle Sallmanns and Yan Yiming Law Firm had any direct or indirect shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

(c) As at the Latest Practicable Date, none of OSK Capital, DTZ Debenham Tie Leung, Jones Lang LaSalle Sallmanns and Yan Yiming Law Firm had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

(d) Each of OSK Capital, DTZ Debenham Tie Leung, Jones Lang LaSalle Sallmanns and Yan Yiming Law Firm has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, reports and/or valuation certificates (as the case may be) and references to its name in the form and context in which it is included.

15. GENERAL

(a) The Subscriber is a controlling Shareholder beneficially interested in approximately 46.57% of the issued share capital of the Company as at the Latest Practicable Date. The registered office of the Subscriber is at Pasea Estate, Road Town, Tortola, British Virgin Islands. The directors of the Subscriber are Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min and Mr. Shi Jian Dong and its controlling shareholders are Mr. Shi Jian and Md. Si Xiao Dong holding 33% and 30% interests in the Subscriber respectively.

(b) Principal members of the persons acting in concert with the Subscriber it are Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong and Md. Si Xiao Dong and their correspondence address is Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

(c) It is the intention of the Subscriber to continue to carry on the business of the Group and to continue the employment of the management and employees of the Group. The Subscriber has no intention to redeploy the fixed assets of the Group and does not intend to introduce any changes to the current business of the Group.

(d) No benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Convertible Note Subscription and the Whitewash Waiver (other than statutory compensation).

(e) As at the Latest Practicable Date, there was no agreement or arrangement existed between any Director and any other person which is conditional on or dependent upon the outcome of the Convertible Note Subscription and the Whitewash Waiver or otherwise connected therewith.

(f) Save for the Convertible Note Subscription Agreement and the stock borrow agreements in relation to the Lent Shares, (particulars of which are set out in the definition of "Lent Shares" and Note 6 to the table set out in the section headed "Effect of the Convertible Note Subscription" in the Letter from the Board in this circular) in which each of Mr. Shi Jian, Mr. Li Yao Min and Mr. Yu Hai Sheng was deemed to have material personal interest by virtue of being a shareholder of the Subscriber holding 5% or more interest, as at the Latest Practicable Date, there was no material contract entered into by the Subscriber in which any Director has a material personal interest.

(g) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any persons acting in concert with it and any of the Directors or recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Whitewash Waiver.

(h) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company, or any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any Company Securities.

(i) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code.

(j) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Subscriber or any person acting in concert with the Subscriber;

(k) The principal place of business of OSK Capital is situated at 11/F Hip Shing Hong Centre, 55 Des Voeux Road Central, Hong Kong.

(l) The principal place of business of KBC Bank N.V. Hong Kong Branch is situated at 39/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. KBC Bank N.V. Hong Kong Branch has given and has not withdrawn its written consent to the issue of this circular with all references to its name in the form and context in which they appear in this circular.

(m) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

(n) There will not be any change in the composition of the Board as a result of Completion.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekday, except public holidays, (ii) on the Company's website at www.sre.com.cn and (iii) on the website of SFC at www.sfc.hk from the date of this circular up to and including 14 June 2011:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of the Subscriber;

(c) the letter from the Board, the text of which is set out in this circular;

(d) the letter from the Subscription IBC, the text of which is set out in this circular;

(e) the letter from the Whitewash IBC, the text of which is set out in this circular;

(f) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(g) the letters and valuation certificates from Jones Lang LaSalle Sallmanns and DTZ Debenham Tie Leung, the text of which are set out in Appendices II and III of this circular;

(h) the service contracts referred to in the section headed "Directors' Service Contracts" in paragraph 7 of this Appendix;

(i) the contracts referred to in the section headed "Material Contracts" in paragraph 12 of this Appendix;

(j) the written consents referred to in the section headed "Qualifications and Consents of Experts" in paragraph 14 of this Appendix;

(k) the written consent from KBC Bank N.V. Hong Kong Branch referred to in paragraph 15(l) of this Appendix; and

(l) the audited accounts of the Group for each of the two financial years ended 31 December 2009 and 2010.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of SRE Group Limited (the "**Company**") will be held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 June 2011 at 3:00 p.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the conditional subscription agreement dated 6 May 2011 between SRE Investment Holding Limited (the "Subscriber") and the Company (the "Convertible Note Subscription Agreement", a copy of which is produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified;

   (b) the issue to the Subscriber of a convertible note in the principal amount of HK$550 million carrying 2% coupon (the "Convertible Note") convertible into ordinary shares of HK$0.10 each of the Company (the "Share(s)") at the initial conversion price of HK$1 per Share (subject to adjustment) in accordance with the terms and conditions of the Convertible Note Subscription Agreement be and is hereby approved;

   (c) the directors of the Company be generally and specifically authorised to allot and issue such number of the Conversion Shares (as defined in the circular of the Company dated 26 May 2011, a copy of which is produced to the meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification) as may be required to be allotted and issued to the holder of the Convertible Note upon the exercise of the conversion rights attaching to the Convertible Note on and subject to the terms and conditions of the Convertible Note; and

* *For identification purpose only*

(d) any one director of the Company or any other person authorized by the board of directors of the Company from time to time, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do such acts or things as he or she or they may in his or her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to the Convertible Note Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares) or to be incidental to, ancillary to or in connection with the transactions contemplated under the Convertible Note Subscription Agreement, including agreeing and making any modifications, amendments, waivers, variations or extensions to the Convertible Note Subscription Agreement and/or the transactions contemplated thereunder."

2. "**THAT** subject to and conditional on the passing of resolution no.1 as set out in the notice of this meeting, the waiver granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Code on Takeovers and Mergers ("Takeovers Code") to the Subscriber and persons acting in concert with it from the obligation to make a mandatory general offer for all the issued shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company not already owned or agreed to be acquired by them which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the Subscriber being allotted and issued the Conversion Shares (as defined in resolution no.1 as set out in the notice of this meeting) causing the interests of the Subscriber and persons acting in concert with it in voting rights in the Company to be increased by more than 2 % from their lowest collective holding of voting rights in the Company in any 12-month period be and is hereby approved."

By order of the Board
SRE Group Limited
Shi Jian
Chairman

Hong Kong, 26 May 2011

Notes:

(1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.

(2) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof, as the case may be).

(3) Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

(4) The ordinary resolutions as set out above will be voted by way of a poll.

(5) As at the date of this notice, the board of directors of the Company 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. Cheng 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. Zhuo Fumin.