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SRE GROUP LIMITED

上置集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1207)

2011 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of SRE Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011 as set out below:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

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

	Notes	2011	2010
Revenue	4	6,786,003	6,288,774
Cost of sales	5	(4,919,236)	(3,749,581)
Gross profit		1,866,767	2,539,193
Other losses – net		(90,986)	(188,249)
Selling and marketing costs	5	(276,114)	(169,542)
Administrative expenses	5	(383,267)	(434,660)
Operating profit		1,116,400	1,746,742
Finance income		148,028	71,317
Finance costs		(531,994)	(312,946)
Finance costs – net		(383,966)	(241,629)
Share of (losses)/profits of:			
Jointly-controlled entities		(1,076)	–
Associates		6,845	25,459

	<i>Notes</i>	2011	2010
Profit before tax		738,203	1,530,572
Income tax expense	6	<u>(319,204)</u>	<u>(815,083)</u>
Profit for the year		<u>418,999</u>	<u>715,489</u>
Other comprehensive income			
Exchange differences on translation of financial statements into presentation currency		<u>587,590</u>	<u>383,775</u>
Other comprehensive income for the year, net of tax		<u>587,590</u>	<u>383,775</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,006,589</u>	<u>1,099,264</u>
Profit attributable to:			
Owners of the parent		496,707	629,652
Non-controlling interests		<u>(77,708)</u>	<u>85,837</u>
		<u>418,999</u>	<u>715,489</u>
Total comprehensive income attributable to:			
Owners of the parent		955,351	915,133
Non-controlling interests		<u>51,238</u>	<u>184,131</u>
		<u>1,006,589</u>	<u>1,099,264</u>
Earnings per share attributable to			
ordinary equity holders of the parent	7		
– Basic		<u>HK\$11.48 cents</u>	<u>HK\$17.00 cents</u>
– Diluted		<u>HK\$11.48 cents</u>	<u>HK\$16.39 cents</u>

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

STATEMENTS OF FINANCIAL POSITION

31 December 2011

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

	<i>Notes</i>	Group		Company	
		2011	2010	2011	2010
ASSETS					
Non-current assets					
Property, plant and equipment		3,000,131	2,627,299	2,147	2,712
Completed investment properties		6,604,711	6,624,338	–	–
Investment properties under construction		123,350	111,646	–	–
Prepaid land lease payments		507,906	399,796	–	–
Goodwill		648,558	671,979	–	–
Investments in subsidiaries		–	–	5,403,327	5,148,045
Advances to subsidiaries		–	–	2,788,543	2,153,125
Investments in jointly-controlled entities		48,241	–	–	–
Investments in associates		77,372	72,182	–	–
Derivative financial asset		54,027	55,894	–	–
Deferred tax assets		604,208	432,186	–	–
Non-current trade receivables	9	86,225	109,598	–	–
Non-current prepayments		821,086	–	–	–
Other non-current assets		58,561	57,974	–	–
		<u>12,634,376</u>	<u>11,162,892</u>	<u>8,194,017</u>	<u>7,303,882</u>
Current assets					
Prepaid land lease payments		12,418,981	11,017,446	–	–
Properties held or under development for sale		8,095,259	6,124,508	–	–
Land development for sale		6,366,044	4,416,924	–	–
Inventories		18,234	29,759	–	–
Dividends receivable from subsidiaries		–	–	929,938	886,004
Amounts due from associates		304	8,113	–	–
Prepayments and other current assets		372,213	671,331	3,293	3,117
Other receivables		945,266	1,186,348	–	–
Trade receivables	9	101,948	607,865	–	–
Prepaid income tax		181,805	113,854	–	–
Cash and bank balances		2,521,487	5,402,966	69,320	158,162
		<u>31,021,541</u>	<u>29,579,114</u>	<u>1,002,551</u>	<u>1,047,283</u>
Total assets		<u><u>43,655,917</u></u>	<u><u>40,742,006</u></u>	<u><u>9,196,568</u></u>	<u><u>8,351,165</u></u>

	Group		Company	
	2011	2010	2011	2010
EQUITY AND LIABILITIES				
Equity				
Issued capital and premium	5,791,714	4,736,489	5,791,714	4,736,489
Other reserves	1,689,923	1,142,493	1,227,993	909,129
Retained profits/(accumulated loss)	3,006,887	2,665,801	(42,545)	124,762
Equity attributable to owners of the parent	10,488,524	8,544,783	6,977,162	5,770,380
Non-controlling interests	2,485,979	2,782,378	–	–
Total equity	12,974,503	11,327,161	6,977,162	5,770,380
LIABILITIES				
Non-current liabilities				
Interest-bearing bank and other borrowings	10,200,708	8,863,028	–	171,548
Convertible bonds – host debts	–	354,548	–	354,548
Guaranteed senior notes	559,646	557,322	559,646	557,322
Deferred income from sale of golf club membership	643,746	632,478	–	–
Deferred tax liabilities	2,241,957	2,076,251	–	–
	13,646,057	12,483,627	559,646	1,083,418

		Group		Company	
	Notes	2011	2010	2011	2010
Current liabilities					
Interest-bearing bank and other borrowings		3,763,889	3,169,554	1,124,880	980,454
Convertible bonds – host debts		515,814	–	515,814	–
Advances received from the pre-sale of properties under development		2,565,079	4,546,137	–	–
Trade payables	10	5,259,024	3,358,631	–	–
Other payables and accruals		2,001,353	2,421,148	19,066	516,913
Current income tax liabilities		2,216,346	2,323,911	–	–
Deferred income arising from land development		713,852	1,111,837	–	–
		17,035,357	16,931,218	1,659,760	1,497,367
Total liabilities		30,681,414	29,414,845	2,219,406	2,580,785
Total equity and liabilities		43,655,917	40,742,006	9,196,568	8,351,165
Net current assets/(liabilities)		13,986,184	12,647,896	(657,209)	(450,084)
Total assets less current liabilities		26,620,560	23,810,788	7,536,808	6,853,798

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

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

	Attributable to owners of the parent										
	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Equity component of convertible bonds	Retained profits	Total	Non- controlling interests	Total equity
At 1 January 2011	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
Total comprehensive income for the year	-	-	-	-	458,644	-	-	496,707	955,351	51,238	1,006,589
Revaluation reserve transfer to retained profits upon sale of properties	-	(1,057)	-	-	-	-	-	1,057	-	-	-
Appropriation from retained profits	-	-	-	31,865	-	-	-	(31,865)	-	-	-
Issuance of new shares	562,487	-	-	-	-	-	-	-	562,487	-	562,487
Equity-settled share options to management of a subsidiary	-	-	-	-	-	4,323	-	-	4,323	2,017	6,340
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	25,982	25,982
Acquisition of non-controlling interests	-	-	-	-	-	43,409	-	-	43,409	(346,793)	(303,384)
Fair value of capital contribution from the controlling shareholder resulting from its subscription of a convertible bond ("CB5")	-	-	-	-	-	10,246	-	-	10,246	-	10,246
Issuance of shares upon conversion of convertible bonds	429,448	-	-	-	-	-	-	-	429,448	-	429,448
Final 2010 dividend declared	63,290	-	-	-	-	-	-	(124,813)	(61,523)	-	(61,523)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(28,843)	(28,843)
At 31 December 2011	<u>5,791,714</u>	<u>1,211*</u>	<u>248*</u>	<u>291,131*</u>	<u>1,478,517*</u>	<u>(260,545)*</u>	<u>179,361*</u>	<u>3,006,887</u>	<u>10,488,524</u>	<u>2,485,979</u>	<u>12,974,503</u>

Attributable to owners of the parent

	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Equity component of			Non- controlling interests	Total equity	
						Other reserves	convertible bonds	Retained profits			
At 1 January 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	<u>4,736,489</u>	<u>2,268*</u>	<u>248*</u>	<u>259,266*</u>	<u>1,019,873*</u>	<u>(318,523)*</u>	<u>179,361*</u>	<u>2,665,801</u>	<u>8,544,783</u>	<u>2,782,378</u>	<u>11,327,161</u>

* *These reserve accounts comprised the consolidated reserves of HK\$1,689,923 thousand (2010: HK\$1,142,493 thousand) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

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

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	11	(1,907,041)	(1,350,070)
Interest paid		(924,124)	(668,171)
Income tax paid		(611,065)	(150,535)
		<hr/>	<hr/>
Net cash flows used in operating activities		(3,442,230)	(2,168,776)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(792,893)	(196,644)
Proceeds from disposal of property, plant and equipment		4,957	4,349
Payments for investment properties		(96,158)	(149,376)
Payments for prepaid land lease payment		–	(266)
Acquisition of subsidiaries, net of cash acquired		(8,819)	(223,685)
Investments in jointly-controlled entities		(48,315)	–
Investment in an associate		(2,748)	–
Disposal of a subsidiary		22,546	300,000
Decrease/(increase) in time deposits with original maturity of over three months		268,567	(265,551)
Dividends received from associates		16,071	36,443
Interest received		51,249	30,111
		<hr/>	<hr/>
Net cash flows used in investing activities		(585,543)	(464,619)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of convertible bonds	546,531	–
Proceeds from issuance of new shares	567,000	–
Share issue expenses	(4,513)	–
Payments of expenses incurred for the listing of existing shares of a subsidiary	(5,015)	(32,046)
Amounts received from sale of treasury shares of a subsidiary	–	30,676
Cash received upon exercise of management share options granted under Management Grant of a subsidiary	2	–
Acquisition of non-controlling interest and related derivative financial asset	(802,213)	(662,698)
Prepayments for acquisition of equity interest of a subsidiary from a non-controlling shareholder	(192,000)	–
Increase in pledged bank deposits	(15,402)	(971,369)
Decrease in restricted deposits in relation to bank borrowings	3,962	7,390
Proceeds from short-term borrowings	329,345	329,885
Repayments of short-term borrowings	(129,745)	(90,857)
Proceeds from long-term borrowings	3,394,976	8,008,926
Repayments of long-term borrowings	(2,268,245)	(4,215,693)
Cash received from the capital injection from non-controlling shareholders of subsidiaries	25,982	154,456
Net cash paid on redemption of guaranteed senior notes	–	(103,734)
Dividends paid to non-controlling shareholders of subsidiaries	(28,843)	(44,664)
Dividends paid to the Company's shareholders	(61,523)	(158,571)
	<hr/>	<hr/>
Net cash flows from financing activities	1,360,299	2,251,701
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,667,474)	(381,694)
Cash and cash equivalents at beginning of year	3,887,304	4,134,112
Effect of foreign exchange rate changes, net	136,165	134,886
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CASH AND CASH EQUIVALENTS AT END OF YEAR	1,355,995	3,887,304
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NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

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.

Operating cycle

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following new and revised HKFRSs the Group adopted for the first time for the current year.

HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards-Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The adoption of the new and revised HKFRSs has had no significant effect.

3. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources 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 operating segment is as follows:

	2011					
	Property development	Land development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue						
Sales to external customers	5,416,545	801,211	158,156	245,605	164,486	6,786,003
Intersegment sales	–	51,837	–	818	428,522	481,177
	<u>5,416,545</u>	<u>853,048</u>	<u>158,156</u>	<u>246,423</u>	<u>593,008</u>	7,267,180
<i>Reconciliation:</i>						
Elimination of intersegment sales						(481,177)
Revenue						<u>6,786,003</u>
Segment profit/(loss)	<u>1,094,697</u>	<u>(54,714)</u>	<u>205,108</u>	<u>(122,550)</u>	<u>(6,141)</u>	1,116,400
Finance income						148,028
Finance costs						(531,994)
Finance costs – net						<u>(383,966)</u>
Share of (losses)/profits of:						
Jointly-controlled entities						
Associates						(1,076)
						<u>6,845</u>
Profit before tax						<u>738,203</u>
Segment assets and liabilities						
Segment assets	<u>24,296,773</u>	<u>7,773,331</u>	<u>6,874,523</u>	<u>1,953,080</u>	<u>2,632,597</u>	43,530,304
Investments in jointly- controlled entities						48,241
Investments in associates						77,372
Total assets						<u>43,655,917</u>
Segment liabilities	<u>16,198,523</u>	<u>3,533,876</u>	<u>2,928,844</u>	<u>74,226</u>	<u>7,945,945</u>	30,681,414
Total liabilities	<u>16,198,523</u>	<u>3,533,876</u>	<u>2,928,844</u>	<u>74,226</u>	<u>7,945,945</u>	<u>30,681,414</u>
Other segment information:						
Depreciation and amortisation	10,562	11,451	266	154,514	27,076	203,869
Capital expenditure*	7,053	1,530	69,009	47,854	229,406	354,852
Fair value gain on derivative financial assets, net	–	–	–	–	105,765	105,765
Fair value gain on investment properties, net	–	–	129,590	–	–	129,590
Impairment of goodwill	55,562	–	–	–	–	55,562
Provision for impairment of other receivables	–	241,078	–	–	27,067	268,145

* Capital expenditure consists of additions of property, plant and equipment (HK\$255,306 thousand), investment properties (HK\$68,448 thousand) and prepaid land lease payments (non-current) (HK\$31,098 thousand).

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
	<u>4,360,186</u>	<u>1,587,946</u>	<u>138,524</u>	<u>270,654</u>	<u>236,684</u>	<u>6,593,994</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						(305,220)
Revenue						<u>6,288,774</u>
Segment profit/(loss)	<u>1,303,814</u>	<u>718,347</u>	<u>(39,043)</u>	<u>(21,651)</u>	<u>(214,725)</u>	<u>1,746,742</u>
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						<u>1,530,572</u>
Segment assets and liabilities						
Segment assets	<u>22,031,440</u>	<u>6,686,681</u>	<u>6,967,206</u>	<u>2,025,077</u>	<u>2,959,420</u>	<u>40,669,824</u>
Investments in associates						72,182
Total assets						<u>40,742,006</u>
Segment liabilities	<u>16,595,220</u>	<u>2,582,665</u>	<u>3,307,966</u>	<u>146,400</u>	<u>6,782,594</u>	<u>29,414,845</u>
Total liabilities	<u>16,595,220</u>	<u>2,582,665</u>	<u>3,307,966</u>	<u>146,400</u>	<u>6,782,594</u>	<u>29,414,845</u>
Other segment information:						
Depreciation and amortisation	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 financial asset, net	–	–	–	–	6,178	6,178
Fair value loss on investment properties, net	–	–	137,842	–	–	137,842
Provision for impairment of other receivables	–	–	–	–	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).

Geographical information

- (a) All the sales to external customers of the Group are generated from Mainland China.
- (b) Non-current assets

As of 31 December 2011, more than 99% (2010: more than 99%) of the Group's non-current asset (based on the location of assets and excludes financial instruments and deferred tax assets) are located in Mainland China.

Information about major customers

Land development revenue from the Group's share of proceeds from land sale by local authorities in Shanghai accounted for approximately 11% (2010: 22%) of the Group's revenue in the year ended 31 December 2011.

The Group's other customers are widely dispersed. Other than as 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 2011 and 2010.

4. REVENUE

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

An analysis of revenue is as follows:

	2011	2010
Sale of development properties	5,731,745	4,589,437
Revenue from land development	837,100	1,467,053
Hotel operations	260,389	283,656
Revenue from property leasing	155,773	137,031
Property management revenue	131,641	103,011
Golf operation	70,766	68,936
Revenue from construction of infrastructure for an intelligent network	4,250	9,114
Sale of network hardware and installation of intelligent home equipment	900	2,610
Other revenue	6,992	4,431
	<hr/>	<hr/>
	7,199,556	6,665,279
Less: Business tax and surcharges	(413,553)	(376,505)
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Total revenue	6,786,003	6,288,774

(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 and River Way Management Fee, are calculated at certain percentages of business tax.

5. EXPENSE BY NATURE

	2011	2010
Cost of inventories sold (excluding depreciation)	4,751,680	3,615,770
Depreciation of property, plant and equipment	190,682	169,071
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	145,335	114,324
– Equity-settled share option expense	6,340	6,400
– Other social welfare	39,713	39,337
	<u>191,388</u>	<u>160,061</u>
Operating lease payments in respect of buildings	7,910	11,625
Auditors' remuneration	9,337	11,582
Commission for sale of properties and land	9,066	30,387
Advertising costs	83,681	69,430
Expense incurred for golf tournament	120,130	–
Miscellaneous tax	61,943	51,698
Transportation fee	21,273	25,001
Office expense	10,379	7,605
Exhibition fees	8,862	11,270
Water and electricity	24,049	19,536
Financial advisory service expenses	3,120	4,037
Business entertainment expenses	14,659	11,484
Expenses incurred for the issuance of CB5	3,469	–
Expenses incurred for the listing of existing shares of a subsidiary	–	36,814
Others	66,989	118,412
	<u>5,578,617</u>	<u>4,353,783</u>

The bad debt provision against other receivables amounting to RMB18,510 thousand (approximately HK\$21,256 thousand) has been reclassified from administrative expenses to other losses for the year ended 31 December 2010. In the opinion of the Group, the reclassification results in a more appropriate presentation of the Group's operating results.

6. INCOME TAX

	2011	2010
Current taxation		
– Mainland China income tax (a)	452,591	719,484
– Mainland China LAT (c)	(47,372)	277,190
	<u>405,219</u>	<u>996,674</u>
Deferred taxation		
– Mainland China income tax	(184,561)	(275,073)
– Mainland China LAT	64,723	(9,831)
– Mainland China withholding tax (d)	33,823	103,313
	<u>(86,015)</u>	<u>(181,591)</u>
Total tax charge for the year	<u><u>319,204</u></u>	<u><u>815,083</u></u>

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25%, in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiary of the Group in Mainland China, which is taxed at a preferential rate of 24% (2010: 22%).

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\$27 million as at 31 December 2011 (2010: HK\$55 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 1.5% to 5% (2010: 1% to 5%) 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\$155 million as at 31 December 2011 (2010: approximately HK\$59 million).

Upon the completion of final clearance and settlement of LAT of a completed real estate project, an amount of RMB190 million (approximately HK\$229 million) LAT accrued in prior periods was no longer payable and thus credited to the profit during the year ended 31 December 2011.

(d) Mainland China withholding tax

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

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

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

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, assuming conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares are convertible bonds of the Company and potential ordinary shares of CNTD, including CNTD's Management Grant and its convertible bonds.

In calculation of the diluted earnings per share amount for the year ended 31 December 2010, the convertible bonds were assumed to have been converted into ordinary shares and the net profit was adjusted to eliminate the interest expense of the convertible bonds less any applicable tax effect. The CNTD's Management Grant was treated as options and regarded as outstanding from the grant date.

For the year ended 31 December 2011, the calculation of diluted earnings per share amount did not take into account the convertible bonds or CNTD's Management Grant because they are anti-dilutive.

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

	2011	2010
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	496,707	629,652
Interest expenses recognised on the host debt component of convertible bonds, net of tax	–	61,407
Net effect of dilutive potential ordinary shares of a subsidiary	–	(5,412)
	<hr/>	<hr/>
Profit attributable to ordinary equity holders of the parent before the above impact arising from convertible bonds	<u>496,707</u>	<u>685,647</u>

<i>Shares</i>	Number of shares	
	2011 <i>(Thousand shares)</i>	2010 <i>(Thousand shares)</i>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	4,328,131	3,703,810
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	–	479,928
	<u>4,328,131</u>	<u>4,183,738</u>

8. DIVIDENDS PAID AND PROPOSED

No final dividend to the shareholders was proposed by the Company in respect of the year ended 31 December 2011.

Pursuant to a resolution passed at the general meeting on 31 May 2011, the Company offered to its shareholders dividends of HK\$0.029 per share in respect of 2010 with an alternative to the shareholders of the company to elect to receive the dividend in cash in lieu of all or part of their scrip dividend entitlements. As a result, shareholders holding a total of 2,121,471,498 shares elected for cash dividend and cash dividends of approximately HK\$61,523 thousand were paid in 2011, while shareholders holding a total of 2,182,409,696 shares elected for scrip dividends, resulting in 102,743 thousand shares being allotted at the price of HK\$0.616 per share.

9. TRADE RECEIVABLES

GROUP

	2011	2010
Trade receivables	112,568	617,983
Less: Provision for impairment	(10,620)	(10,118)
	<u>101,948</u>	<u>607,865</u>
Non-current trade receivables	<u>86,225</u>	<u>109,598</u>
	<u>188,173</u>	<u>717,463</u>

	2011	2010
Trade receivables:		
Receivables from land development for sale	72,390	555,791
Receivables from the sale of golf club membership	4,461	8,977
Receivables from hotel operations	3,244	10,010
Receivables from property leasing	152	3,660
Receivables from the sale of residential and commercial properties	20,150	28,934
Others	12,171	10,611
Less: Provision for impairment	(10,620)	(10,118)
	<u>101,948</u>	<u>607,865</u>
Non-current trade receivables:		
Receivables from land development for sale	86,119	109,540
Receivables from the sale of golf club membership	106	58
	<u>86,225</u>	<u>109,598</u>
	<u><u>188,173</u></u>	<u><u>717,463</u></u>

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

	2011	2010
Within 6 months	22,510	57,294
6 months to 1 year	9,236	394,640
1 to 2 years	54,096	52,588
Over 2 years	112,951	223,059
	<u>198,793</u>	<u>727,581</u>

The Group's sales 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 instalments, 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, 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 is 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 trade receivables relate to a large number of diversified customers. There is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Trade receivables which are neither past due nor impaired and an aged analysis of past due but not impaired trade receivables are as follows:

	2011	2010
Neither past due nor impaired	177,214	684,250
Past due but not impaired:		
Within 30 days	4,652	5,804
30 to 60 days	1,115	1,110
60 to 90 days	–	12,879
90 to 120 days	–	2
Over 120 days	5,192	13,418
	<u>188,173</u>	<u>717,463</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in provision for impairment of trade receivables are as follows:

	2011	2010
At beginning of year	10,118	10,313
Amount written off as uncollectible	–	(541)
Exchange realignment	502	346
	<u>10,620</u>	<u>10,118</u>

No trade receivable was written off in the year ended 31 December 2011 (2010: HK\$0.5 million).

10. TRADE PAYABLES

GROUP

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

	2011	2010
Within 1 year	4,273,196	2,670,441
1 to 2 years	643,046	337,099
Over 2 years	342,782	351,091
	<u>5,259,024</u>	<u>3,358,631</u>

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

11. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to cash used in operations:

	2011	2010
Profit before tax	738,203	1,530,572
Adjustments for:		
Depreciation of property, plant and equipment	190,682	169,071
Bad debt provision – other receivables	268,145	21,256
Loss on disposal of property, plant and equipment, net	23	20,162
Share of profits of associates	(6,845)	(25,459)
Share of losses of jointly-controlled entities	1,076	–
Fair value (gain)/loss on derivative financial instruments	(105,765)	6,178
Loss on redemption of the Guaranteed Senior Notes	–	4,798
Fair value (gain)/loss on completed investment properties	(140,780)	135,864
Fair value loss on investment properties under construction	11,190	1,978
Gain on disposal of a subsidiary	(309)	–
Gain on bargain purchase of a subsidiary	–	(28,940)
Impairment of goodwill	55,562	–
Expenses incurred for the issuance of CB5	3,469	–
Dilution gain on associates	–	(375)
Management share option expenses	6,340	6,400
Expenses incurred for the listing of existing shares of a subsidiary	–	36,814
Finance income	(148,028)	(71,317)
Finance costs	531,994	312,946
	<u>1,404,957</u>	<u>2,119,948</u>

	2011	2010
Decrease in restricted bank deposits	93,043	182,578
Decrease in other non-current assets	1,004	–
Increase in prepaid land lease payments	(1,439,377)	(1,322,442)
Increase in properties held or under development for sale	(834,243)	(648,277)
Decrease/(increase) in inventories	12,730	(9,068)
Decrease in amounts due from associates	–	1,354
Decrease/(increase) in prepayments and other current assets	326,171	(371,216)
Decrease/(increase) in other receivables	23,414	(112,600)
Decrease/(increase) in trade receivables	553,129	(167,808)
Increase/(decrease) in trade payables	1,669,440	(267,610)
Increase/(decrease) in other payables and accruals	353,982	(548,488)
Decrease in amounts due to associates	–	(11,358)
(Increase)/decrease in land development for sale	(1,527,757)	95,483
(Decrease)/increase in deferred income	(382,888)	265,538
Decrease in advances received from the pre-sale of properties under development	(2,160,646)	(556,104)
	<hr/>	<hr/>
Cash used in operations	(1,907,041)	(1,350,070)
	<hr/> <hr/>	<hr/> <hr/>

(b) Major non-cash transactions:

	2011	2010
Payables to the former shareholder of a subsidiary for acquisition of non-controlling interest	20,970	500,000
Prepayments used to settle purchase consideration for business combination	–	310,061
Payables to the former shareholder of a subsidiary for business combination	12,335	21,154

RESULTS AND DIVIDEND

In 2011, the Group recorded net revenue of approximately HK\$6,786 million (2010: HK\$6,289 million), which represents an increase by approximately 7.9% compared with that of 2010. Profit attributable to shareholders was approximately HK\$497 million, a decrease of 21.11% compared with approximately HK\$630 million in 2010.

No final dividend to the shareholders was proposed by the Company in respect of the year ended 31 December 2011 (2010: HK\$0.029 per share).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2011, cash and bank balances amounted to approximately HK\$2,521 million (2010: HK\$5,403 million). Working capital (net current assets) of the Group as at 31 December 2011 amounted to approximately HK\$13,986 million (2010: HK\$12,648 million), an increase of 10.58% from previous year, current ratio risen slightly to 1.82x (2010: 1.75x).

As at 31 December 2011, total liabilities to total equity decreased to 2.36x (2010: 2.60x). At the end of the financial period, the Group's gearing ratio is approximately 49% (2010: 40%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance of approximately HK\$2,521 million) over total capital (total equity and net borrowings).

BUSINESS REVIEW

In 2011, the Group's major projects up for sale were Cedar Villa Original, Lake Malaren Garden, Rich Gate SeaView and Central-Ring Centre in Shanghai; Haikou Bund Centre in Hainan; Wuxi Jiangnan Rich Gates in Jiangsu; Shenyang Yosemite Oasis Community and Albany Oasis Garden in Liaoning. From January to December 2011, the Group contracted a total amount of HKD2.756 billion, with gross floor area of approximately 154,675 square meters.

Project Company	Sales Contracts Signed (HKDx1000)	Contractual Gross Area (m²)
Shenyang Albany Oasis Garden	587,865	57,824
Shanghai Cedar Villa Original	556,834	18,719
Shanghai Central-Ring Centre	497,062	14,339
Shanghai Lake Malaren Garden	300,741	8,160
Shenyang Yosemite Oasis Community	206,954	27,145
Shanghai Rich Gate SeaView	176,247	8,920
Wuxi Jiangnan Rich Gate	133,609	7,408
Haikou Bund Centre	83,479	3,642
Other Projects	213,020	8,518
Total	<u>2,755,811</u>	<u>154,675</u>

In 2011, the Group recorded a net turnover of HKD6.786 billion, an increase of 7.9% from HKD6.289 billion in 2010. Gross profit for 2011 amounted to approximately HKD1.867 billion, a decrease of 26.50% from HKD2.539 billion in 2010. Gross profit margin for 2011 was about 27.5% (2010: 40%).

Net turnover breakdown by activity:

Turnover	2011 (HKDx1000)	2010 (HKDx1000)
Sale of development properties	5,731,745	4,589,437
Revenue from land development	837,100	1,467,053
Hotel operations	260,389	283,656
Revenue from property leasing	155,773	137,031
Property management revenue	131,641	103,011
Golf operation	70,766	68,936
Revenue from construction of infrastructure for an intelligent network	4,250	9,114
Sale of network hardware and installation of intelligent home equipment	900	2,610
Other revenue	6,992	4,431
	<u>7,199,556</u>	<u>6,665,279</u>
Less: Business tax and surcharges	(413,553)	(376,505)
Total revenue	<u>6,786,003</u>	<u>6,288,774</u>

Development Projects

Our main development projects include Rich Gate SeaView, Cedar Villa Original, Lake Malaren Garden, Albany Oasis Garden, Central-Ring Centre, Bairun Project, Lake Malaren Silicon Valley Project and Lake Malaren UHO Project in Shanghai; Shenyang Albany and Yosemite Oasis Community in Liaoning; Wuxi Jiangnan Rich Gates in Jiangsu; Haikou Bund Centre in Hainan; 香島花苑 and 碧水瀾灣 in Zhejiang and Chengdu Albany Oasis Garden.

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

Commercial Property	Location	Details
Shanghai Skyway Pullman Hotel	Huangpu District, Shanghai	654 rooms
Shanghai Rich Gate Retail shops	Huangpu District, Shanghai	Approx. 11,000 m ²
Oasis Central Ring Center	Putuo District, Shanghai	Approx. 89,000 m ²
Shenyang Rich Gate Shopping Mall	Financial Golden Corridor, Shenyang	Approx. 240,000 m ²

Land Infrastructure and Pre-development Activities

In January 2011, Golden Luodian Company, a subsidiary of the Company, sold the land use right through the successful auction of the land parcel (A1-3) located at Shanghai Luodian New Town by the Shanghai Municipal Bureau of Planning and Land Resources. The buyer was Sino-Ocean Land (Shanghai) Limited. The land parcel, with approximately 35,642 sq.m., was sold at RMB538 million (equivalent to HK\$650 million). The land parcel has a plot ratio of 2.5 times and the average land price is therefore equivalent to RMB6,038 per sq.m..

Relocation for Development Land

Shanghai Albany

Phase I and II of Shanghai Albany enjoyed great selling. Relocation for the remaining phases is underway. As at the end of December 2011, with 5760 households and 132 units relocated, relocation was 71% completed, which created favorable conditions for the commencement of Phase III.

Bairun Project

For Bairun Project, as at the end of December 2011, with 262 households, 9 units and 8 enterprises relocated, relocation was 70% completed. This created favorable conditions for Phase II development of the project.

Shenyang Albany

For Shenyang Albany, as at the end of December 2011, with 1316 households (area: 83836m²) and 13 enterprises (area: 3062m²) relocated, relocation was 78% completed, which created favorable conditions for Phase II project.

Construction Work

Adhering to the development plans and construction timelines formulated in early 2011, the Group and its subsidiary companies had been carrying out the respective development and construction projects in an orderly manner. Taking into account the actual situation and for each of the key areas including design and construction, each company set up thorough plans and controlling measures prior to commencement of works so that targets and quality requirements were clear. As quality management is concerned, emphasis is always on using the right technology, to be supplemented by stringent quality control procedures. With safety, quality and timelines in mind, we have been efficiently and effectively conducting our works in a practical manner, aiming at achieving all targets being set along these lines.

Rich Gate SeaView

Rich Gate SeaView passed the inspection in April 2011 and flats were then handed over to buyers. As at the end of 2011, the hand-over rate reached 95%. The project passed all relevant requirements for Triple A residential estates.

Lake Malaren UHO Project

At the end of December 2011, main structure and underground structure of Lake Malaren UHO Project successfully passed all inspections and construction of the sub-structure is underway.

Lake Malaren Silicon Valley Project

At the end of December 2011, main structures of Section-A were topped out and landscaping was completed. Site construction of Section-B had been basically finished, with construction of external walls and door and window works 80% completed.

Lake Malaren Garden

The project has successfully passed all inspections and 70% of the units were handed over to buyers at the end of December 2011.

Cedar Villa Original

For Section-B, all properties sold, after satisfactory inspection, had been handed over to buyers in December 2011. For Section-A, interior decoration works are underway.

Shenyang Albany

For Shenyang Albany Phase I the inspection was successfully passed in November 2011 and 77% of the buyers had completed the procedures for taking ownership of the purchased flats.

Haikou Bund Centre

4 Towers of Haikou Bund Centre Phase I had successfully passed the inspection and hand-overs were made in April 2011. The interior decoration works of Tower 1 of Phase I is underway. Westin Hotel has been progressing well and the construction of the first 7 floors above ground has been completed. The design plan of second phase is in the making, and the site has been completely levelled.

ACQUISITIONS AND DISPOSAL

Acquisition of Further Interests in China New Town Development Company Limited (“CNTD”)

In September 2011, Sinopower Investment Limited, a wholly-owned subsidiary of the Company, acquired in aggregate 262,000,000 CNTD Shares (equivalent to 6.72% of the total issued CNTD Shares) at an aggregate consideration of S\$15,982,000 (equivalent to HK\$99.30 million) through various on-market transactions on the SGX-ST.

The Group completed its acquisition of 7.5% equity interest in Liaoning High School Project

In November 2011, the Group, through 瀋陽綠怡酒店管理公司, a wholly owned subsidiary of the Company, acquired 7.5% of the equity interest of 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”) (“高校房地產”) from 上海錦美建築裝潢有限公司, thereby increasing the Group’s interest in Liaoning Gao Xiao Real Estate and hence its development project, Shenyang Albany, from 90% to 97.5%.

Transfer of equity interest in Wuxi Yongqing Real Estate Development Co., Ltd.

In October 2011, a subsidiary of the Group, Wuxi Zhongqing Real Estate Development Co., Ltd, transferred its wholly-owned equity interest in Wuxi Yongqing Real Estate Development Co., Ltd. to an independent third party, 上海順富寬頻網絡工程有限公司, at a consideration of approximately RMB20 million (equivalent to HK\$24.67 million).

Financing and Capital Market Activities

On 28 March 2011, SRE Investment Holding Limited (“SRE Investment”) has completed the subscription of 700,000,000 Subscription Shares of the Company at the Subscription Price of HK\$0.81 per Subscription Share.

In March 2011, Shanghai Bairun Real Estate Co., Ltd. entered into an agreement for a loan of RMB535 million (equivalent to HK\$646 million) with Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai.

In May 2011, Lake Malaren Silicon Valley Project of Shanghai Golden Luodian Development Co. Ltd. entered into an agreement for a loan of RMB600 million (equivalent to HK\$725 million) with China Minsheng Banking Corp., Ltd, Shanghai Branch.

In October 2011, Shanghai Shuo Cheng Real Estate Co. Ltd., entered into an agreement for a loan of RMB700 million (equivalent to HK\$850 million) with Agricultural Bank of China Co., Ltd, Jing An Branch, Shanghai.

In October 2011, Wuxi Hongshan New Town Development Co., Ltd. entered into an agreement for a trusted loan of RMB751 million (equivalent to HK\$910 million) with China Credit Trust Co., Ltd.

In November 2011, SRE Investment completed the subscription of 550,000,000 Convertible Notes of the Company, which were on the same day fully converted into shares of the Company at the Conversion Price of HK\$1.00 per Conversion Share. Upon such conversion of the Convertible Notes, SRE Investment was interested in 52.26% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

THE GROUP’S AWARDS

SRE GROUP LIMITED

Awarded “Top 100 China Real Estate Development Enterprises for 2011”, “Top 20 Real Estate Development Enterprises of Eastern China 2011” and “The 8th China Real Estate Network Popularity Ranking – Shanghai Most Popular Branded Real Estate”.

Rich Gate SeaView

Awarded “Shanghai 4-Highs Outstanding Estate, Energy and Land Saving 2011”, Golden Prize of the 7th Session of the “Shanghai Outstanding Residence” and “3A Class Residential Qualification” authorized by Ministry of Housing and Urban-Rural Development.

Shanghai Skyway Pullman Hotel

Awarded official five-star rating by the China National Hotel Rating Committee.

Cedar Villa Original

Awarded “2011 China Villa Festival-Innovative Award for Chinese Classic Villa”.

Shenyang Albany

Awarded “Shenyang Landscaping Sector – Quality Landscape 2011”.

Chengdu Albany

Awarded “Golden Prize of Chengdu Real Estate of the Year – the 9th Session of Chengdu Real Estate Golden Hibiscus Cup 2011” and “Influence in the Western – Most Worth-purchasing Mansion of Chengdu High-end Property Ranking 2011”.

BUSINESS OUTLOOK

The State pressed ahead the implementation of the most stringent austerity measure in the property industry during 2011. Against the backdrop of “structural adjustment and price stabilization”, purchase restrictions, credit controls as well as price restrictions, raising down payment ratio for second home purchases and the imposition of property tax in individual regions were seen from the beginning of the year. During the middle of the year, the government increased its investment and released more credits to ensure adequate land supply for and there being an adequate number of affordable housings being built. At the end of 2011, the State was determined to impose real estate regulation that could satisfy the general public in “political” sense. The 2012 policy adhered to the unswerving real estate control policy as always principally stressed. As the control measures deepen, China’s real estate industry has been undergoing a paradigm change, which will unroll a new chapter for the real estate industry in China.

According to the 2011 National Economy and Social Development Statistics published by the China National Statistics Bureau, total investment in real estate development in 2011 amounted to RMB6.174 trillion, an increase of 27.9% over the previous year. Of this total, investment in residential building development accounted for RMB4.4308 trillion, an increase of 30.2%; investment in office building development accounted for RMB254.4 billion, an increase of 40.7%; investment in commercial space development accounted for RMB737.0 billion, an increase of 30.5%.

In 2011, the investment in real estate development in Shanghai amounted to RMB217.031 billion, representing a year-on-year increase of 39.6%, while the investment in affordable houses amounted to RMB47.9 billion, representing a growth of 42.9% compared to that of the last year. A total area of 17.713 million m² of commodity properties were sold throughout the year, representing a drop of 13.8%, of which total area of commodity housing sold out amounted to 14.7372 million m², representing a decrease of 12.6%.

In 2012, the central government continues to strengthen real estate controls vigorously with on-going inhibitive policies such as purchase restrictions while ensuring the supply of affordable housings. Minor adjustments were made to the steady-cum-tightening monetary policy in 2011 and a stable and moderate monetary policy is expected in 2012. Under the macro environment of rapid economic growth and accelerating urbanization, being over-pessimistic does not align with overall pace of development of the real estate sector of China. Instead, being prudently optimistic is in concordance with the actual market conditions.

In 2012, the property industry will face formidable challenges. In this context, the Group will resolutely cling to its new five-year development strategy, and the entire Group has the tenacity and confidence to do well in this pillar industry, firmly gripping the solid foundation of urbanization being China's largest domestic demand, and the Group's belief that urbanization development is of primal importance for the development of low-carbon economy. Our strategy for the year will base primarily on cash, and secondarily on profits. We will not aimlessly pursuit expansion but will conduct all works in an orderly manner. We will accomplish new goals under the new system and the new requirements of the market economy.

In March 2012, the Office of National Development and Reform Commission issued the "Notice on the Third List of Pilot Towns for National Development and Reform", and Hongshan Sub-District, Hongshan, Wuxi where Wuxi Hongshan New Town Development Company Limited, a subsidiary of CNTD, is located is on the list. This will provide an additional impetus for the Group's development and construction of new towns.

In 2012, the Group will make timely adjustments to its strategies according to economic trends, increase the proportion of investment in commercial real estate development and in development projects in second- and third-tier or even third- and fourth-tier cities with development potential in China to lay a solid foundation for the Group's next five-year plan. As a business with social responsibility, the Group will further improve the operation and scientific management of projects under development, aiming at providing the customers with high quality properties and hence a better life.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

1. Placing and Subscription of New Shares

On 28 March 2011, SRE Investment Holding Limited (“SRE Investment”) has completed the subscription of 700,000,000 Subscription Shares of the Company at the Subscription Price of HK\$0.81 per Subscription Share.

2. Issue and Conversion of 2% Coupon Convertible Bonds Due 2016

In November 2011, SRE Investment has completed the Convertible Note subscription of 550,000,000 Conversion Shares of the Company, which were on the same day fully converted into shares of the Company at the Conversion Price of HK\$1.00 per Conversion Share. Upon such conversion of the Convertible note, SRE Investment will be interested in 52.26% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

MOVEMENTS IN SECURITIES OF CNTD

On 6 April 2011 and 22 December 2011, CNTD had allotted and issued 4,905,000 and 6,131,250 new ordinary shares to entitled persons who exercised the 3rd tranche and 4th tranche share options vested under the Management Grant adopted on 5 July 2007 respectively.

EMPLOYEE

As at 31 December 2011, the Group had retained 3,520 (2010: 3,599) employees in Hong Kong and the PRC. Total staff costs of the Group, excluding directors’ remuneration, for the year under review amounted to approximately HK\$170 million (2010: HK\$138.5 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

CORPORATE GOVERNANCE

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

DIRECTORS’ COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company established an audit committee on 12 November 2001 with terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee has five members comprising the two non-executive Directors and the three independent non-executive Directors. The annual results for the year ended 31 December 2011 has been reviewed by the Audit Committee.

APPRECIATION

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company is published on the websites of the Company (www.equitynet.com.hk/sre/) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2011 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

On Behalf of the Board

SHI JIAN

Chairman

Hong Kong, 27 March 2012

As at the date hereof, the Board comprises seven executive directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong, Mr. Shi Pin Ren, Mr. Zhang Hongfei and Mr. Shi Lizhou, Stan; two non-executive directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong and four independent non-executive directors, namely Mr. Jiang Xie Fu, Mr. E Hock Yap, Mr. Zhuo Fumin and Mr. Yuan Pu.

** For identification purpose only*