SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2017
Revenue (RMB'000)	**519,591**
Net profit attributable to owners of the Company (RMB'000)	**622,749**
Basic earnings per share (RMB cents)	**3.03**
Dividend per share – Interim (RMB cents)	**–**

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of SRE Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017 together with comparative figures for the previous corresponding period in 2016. The unaudited interim financial statements for the six months ended 30 June 2017 have been reviewed by the Company's Audit Committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(Amounts presented in thousands of Renminbi unless otherwise stated)

		For the six months ended 30 June	
		2017	2016
	Notes	**Unaudited**	Unaudited (Restated) Note 1.2(a)
Continuing operations			
Revenue	*3*	**519,591**	236,004
Cost of sales		**(470,961)**	(264,500)
Gross profit/(loss)		**48,630**	(28,496)
Gain from disposal of subsidiaries		**1,141,944**	677,099
Other losses – net		**(10,321)**	(15,467)
Selling and marketing expenses		**(25,871)**	(38,878)
Administrative expenses		**(149,653)**	(176,626)
Operating profit		**1,004,729**	417,632
Finance income		**10,008**	12,895
Finance costs		**(245,105)**	(170,477)
Finance costs – net		**(235,097)**	(157,582)
Share of results of associates		**45,387**	(8,486)
Share of results of joint ventures		**(1,457)**	(40)
Profit before income tax		**813,562**	251,524
Income tax expense	*4*	**(186,669)**	(172,247)
Profit for the period from continuing operations		**626,893**	79,277
Discontinued operation			
Loss for the period from discontinued operation		**–**	(16,337)
Profit for the period		**626,893**	62,940

	Notes	For the six months ended 30 June 2017 Unaudited	2016 Unaudited (Restated) Note 1.2(a)
Other comprehensive income, net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**10,948**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**637,841**	62,940
Profit/(loss) attributable to:			
Owners of the Company		**622,749**	89,804
Non-controlling interests		**4,144**	(26,864)
		626,893	62,940
Profit/(loss) attributable to owners of the Company from:			
Continuing operations		**622,749**	98,953
Discontinued operation		**-**	(9,149)
		622,749	89,804
Total comprehensive income attributable to:			
Owners of the Company		**633,697**	89,804
Non-controlling interests		**4,144**	(26,864)
		637,841	62,940
Total comprehensive income attributable to owners of the Company from:			
Continuing operations		**633,697**	98,953
Discontinued operation		**-**	(9,149)
		633,697	89,804

	Notes	For the six months ended 30 June **2017** **Unaudited**	2016 Unaudited (Restated) Note 1.2(a)
Earnings/(loss) per share from continuing operations and discontinued operation attributable to owners of the Company	*5*		
– Basic			
From continuing operations		**RMB 0.0303**	RMB0.0048
From discontinued operation		**-**	RMB(0.0004)
		RMB 0.0303	RMB 0.0044
– Diluted			
From continuing operations		**RMB 0.0303**	RMB0.0048
From discontinued operation		**-**	RMB(0.0004)
		RMB 0.0303	RMB 0.0044

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**30 June 2017 Unaudited**	31 December 2016 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**748,210**	762,600
Investment properties		**5,310,201**	5,270,895
Prepaid land lease payments		**206,494**	208,759
Goodwill		**16,271**	16,271
Investments in associates		**1,008,042**	962,655
Investments in joint ventures		**4,197,525**	1,281,119
Deferred tax assets		**242,837**	242,837
Available-for-sale investments		**380,806**	380,806
Other non-current assets		**1,178,008**	71,519
		13,288,394	9,197,461
Current assets			
Prepaid land lease payments		**2,086,336**	2,632,148
Properties held or under development for sale		**3,089,844**	3,197,085
Inventories		**718**	620
Trade receivables	*7*	**26,816**	24,863
Other receivables		**2,688,519**	1,678,141
Prepayments and other current assets		**314,866**	373,513
Prepaid income tax		**109,784**	96,623
Available-for-sale investments		**139,000**	262,000
Loans and receivables		**165,000**	165,000
Cash and cash equivalents		**1,579,238**	1,509,924
Restricted cash		**271,340**	2,933
		10,471,461	9,942,850
Assets classified as held for sale		**428,234**	3,570,569
		10,899,695	13,513,419
Total assets		**24,188,089**	22,710,880

	Notes	30 June 2017 Unaudited	31 December 2016 Audited
EQUITY AND LIABILITIES			
EQUITY			
Issued capital and premium		**6,747,788**	6,747,788
Other reserves		**238,529**	212,830
Retained profits/(accumulated losses)		**336,510**	(286,239)
Equity attributable to owners of the Company		**7,322,827**	6,674,379
Non-controlling interests		**402,486**	377,682
Total equity		**7,725,313**	7,052,061
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**5,054,169**	2,847,984
Deferred tax liabilities		**1,420,521**	1,260,879
		6,474,690	4,108,863
Current liabilities			
Interest-bearing bank and other borrowings		**4,450,368**	3,917,484
Advances received from the pre-sale of properties under development		**1,485,750**	1,141,086
Trade payables	*8*	**642,341**	792,301
Other payables and accruals		**1,986,169**	4,409,776
Current income tax liabilities		**986,770**	1,116,805
		9,551,398	11,377,452
Liabilities directly associated with the assets classified as held for sale		**436,688**	172,504
		9,988,086	11,549,956
Total liabilities		**16,462,776**	15,658,819
Total equity and liabilities		**24,188,089**	22,710,880

Notes to the Interim Condensed Consolidated Financial Information

(Amounts presented in thousands of Renminbi unless otherwise stated)

1. Basis of Preparation and Accounting Policies

1.1 Basis of preparation

The notes included herein are extracted from the full set of interim condensed consolidated financial information of the Group for the six months ended 30 June 2017 which has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of and for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

1.2 Significant accounting policies

(a) Change in presentation currency

Having considered most of the Group's revenue and business activities are conducted in Mainland China and the functional currency of those subsidiaries in the Mainland China are RMB, the Company has decided to adopt and use RMB as the presentation currency in presenting the financial performance and the financial position of the Group effective since the year ended 31 December 2016, so as to better reflect the underlying performance of the Group and for better alignment with the underlying business operations of the Group. As a result, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to RMB for the preparation of its financial statements.

The change in presentation currency has been applied retrospectively including the previous reported interim periods. Accordingly the items in the interim condensed consolidated statement of profit and loss and other comprehensive income for the six months ended 30 June 2016 were restated by translating the items from HK$ to RMB using the applicable average rates that approximated to actual rates.

(b) Amendments to HKFRSs adopted by the Group in 2017

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of the following amendments to HKFRSs effective for the financial year ending 31 December 2017.

Amendments to HKAS 7 "Statement of Cash Flows" introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financial activities.

Amendments to HKAS 12 "Income Taxes" clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKFRS 12 "Disclosure of Interests in Other Entities" clarify that the disclosure requirements of HKFRS 12 are applicable to interests in entities classified as held for sale except for summarized financial information.

Adoption of the above amendments to HKFRSs did not have any material effect on the financial position or performance of the Group for the six months ended 30 June 2017, nor resulted in restatement of comparative figures.

The Group has not early adopted any other new financial reporting and accounting standards, amendments or interpretations of HKFRSs that were issued but are not yet effective.

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services. In April 2016, the Group decided to make a strategic shift in its business focus and disposed all its 56% equity interest in Shanghai Skyway Hotel Co., Ltd. ("Skyway") which owned and operated the major hotel of the Group. Thereafter the Board considered that the remaining hotel operation after the disposal was no longer material to constitute a separate reportable segment and in the future, hotel operation will no longer be a business objective of the Group. The new reportable operating segments since the six months ended 30 June 2016 are as follows:

- The property development segment develops and sells residential and commercial properties;

- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;

The other operations comprises, principally, the corporate activities that are not allocated to segments and miscellaneous insignificant operations including the remaining small scale hotel operation and 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. The performance of each segment is evaluated based on its operating profit or loss before income tax and the methodology used for its calculation is the same as that for 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties.

An analysis by operating segment is as follows:

	Six months ended 30 June 2017 (unaudited)			
	Continuing operations			
	Property development	**Property leasing**	**Other operations**	**Total**
Segment revenue				
Sales to external customers	**417,623**	**71,579**	**30,389**	**519,591**
Intersegment sales	**–**	**–**	**10,460**	**10,460**
	417,623	**71,579**	**40,849**	**530,051**
Reconciliation:				
Elimination of intersegment sales				**(10,460)**
Revenue				**519,591**
Segment (loss)/profit	**(40,619)**	**65,930**	**979,418**	**1,004,729**
Finance income				**10,008**
Finance costs				**(245,105)**
Finance costs – net				**(235,097)**
Share of results of associates				**45,387**
Share of results of joint ventures				**(1,457)**
Profit before income tax				**813,562**

	Six months ended 30 June 2016 (unaudited) (Restated)					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Segment revenue						
Sales to external customers	125,934	33,228	76,842	236,004	38,760	274,764
Intersegment sales	–	–	7,526	7,526	–	7,526
	125,934	33,228	84,368	243,530	38,760	282,290
Reconciliation:						
Elimination of intersegment sales				(7,526)	–	(7,526)
Revenue				236,004	38,760	274,764
Segment (loss)/profit	(226,613)	17,846	626,399	417,632	1,567	419,199
Finance income				12,895	–	
Finance costs				(170,477)	(17,904)	
Finance costs – net				(157,582)	(17,904)	
Share of results of associates				(8,486)	–	
Share of results of joint ventures				(40)	–	
Profit/(loss) before income tax				251,524	(16,337)	

3. Revenue

An analysis of revenue during the period is as follows:

	(unaudited) For the six months ended 30 June	
	2017	2016 (Restated)
Revenue from sale of properties	**417,769**	134,539
Revenue from property leasing	**74,438**	34,976
Revenue from property management	**8,320**	68,575
Revenue from construction of infrastructure for an intelligent network	**2,041**	4,654
Other revenue	**20,974**	7,394
	523,542	250,138
Less: Tax and surcharges *(a)*	**(3,951)**	(14,134)
Total revenue	**519,591**	236,004

(a) Tax and surcharges

Prior to 1 May 2016, business tax was calculated at 5% of the revenue from the sale of properties, hotel operations, the provision of property management services and property leasing and at 3% of the net income received from the construction of infrastructure for an intelligent network after deducting amounts payable to subcontractors.

Effective from 1 May 2016, the Group's revenue is subject to value-added tax ("VAT") which is deducted directly from the proceeds. The applicable VAT rate for the Group's revenue is as follows:

- Sale and lease of properties is subject to VAT at 11%. Qualified old projects, which are those with construction commenced on or before 30 April 2016, can adopt a simplified VAT method at a rate of 5% with no deduction of input VAT.

- Revenue from property management services is subject to VAT at 6%.

- Revenue from construction of infrastructure for an intelligent network is subject to VAT at 11%.

Government surcharges, comprising city maintenance and construction tax, education surtax and river way management fee, are calculated at certain percentages of business tax and VAT.

4. Income Tax

	(unaudited) For the six months ended 30 June	
	2017	2016 (Restated)
Current taxation		
– Mainland China income tax *(a)*	**14,133**	145,668
– Mainland China LAT *(c)*	**14,448**	1,619
	28,581	147,287
Deferred taxation		
– Mainland China income tax	**161,049**	31,168
– Mainland China LAT	**(1,522)**	(992)
– Mainland China withholding tax *(d)*	**(1,439)**	(5,216)
	158,088	24,960
Total tax charge for the period	**186,669**	172,247

(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.

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. Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2035. 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 period (2016: Nil).

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

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

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 2% to 5% (2016: 2% to 5%) on proceeds of the sale and pre-sale of properties. Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

(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.

5. Earnings/(loss) per Share Attributable to Owners of the Company

The calculation of basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 20,564,713 thousand (2016: 20,564,713 thousand) in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company did not have any dilutive shares for the six months ended 30 June 2016 but the share options issued in the second half of 2016 constitute dilutive shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the six months ended 30 June 2017, as the average market share price of the Company's shares was lower than assumed exercise price being the fair value of any services to be supplied to the Group in the future under the share option arrangement plus contractual exercise price of the option, the impact of exercise of the share options on earnings/(loss) per share is anti-dilutive.

For the six months ended 30 June 2016, diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share since the Company did not have dilutive shares.

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

	For the six months ended 30 June 2017	For the six months ended 30 June 2016 (Restated)
Earnings/(loss)		
Profit from continuing operations attributable to owners of the Company	**622,749**	98,953
Loss from discontinued operation attributable to owners of the Company	**–**	(9,149)
	622,749	89,804

	Number of shares	
	For the six months ended 30 June 2017 ***(Thousand shares)***	For the six months ended 30 June 2016 *(Thousand shares)*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculations	**20,564,713**	20,564,713

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

6. Dividend

On 29 August 2017, the Board resolved not to declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

7. Trade Receivables

	30 June 2017 Unaudited	31 December 2016 Audited
Trade receivables	**54,659**	51,668
Less: Provision for impairment	**(27,843)**	(26,805)
	26,816	24,863

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

	30 June 2017 Unaudited	31 December 2016 Audited
Within 6 months	**8,641**	18,697
6 months – 1 year	**17,460**	4,388
1 – 2 years	**715**	20,113
Over 2 years	**27,843**	8,470
	54,659	51,668

Trade receivables are non-interest-generating. The credit terms offered by the Group are normally less than six months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

8. Trade Payables

	30 June 2017 Unaudited	31 December 2016 Audited
Trade payables	**642,341**	792,301

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

	30 June 2017 Unaudited	31 December 2016 Audited
Within 1 year	**317,220**	391,277
1 – 2 years	**87,348**	107,741
Over 2 years	**237,773**	293,283
	642,341	792,301

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months ended 30 June 2017, the Group recorded a net revenue of approximately RMB520 million (first half of 2016: RMB236 million), which represents an increase by approximately 120% compared with that of the corresponding period of last year. Profit attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB623 million while profit attributable to owners of the Company for the corresponding period of last year was approximately RMB90 million. The increase was mainly attributable to gains from disposal of part of the Group's certain investments at a premium during the steady progress towards the Group's strategic positioning as an international financial real estate platform. In addition, there has been a continuous improvement in the overall operating efficiency of the Group during the Reporting Period.

The Board resolved not to declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

Liquidity and Financial Resources

As at 30 June 2017, cash and bank balances amounted to approximately RMB1,851 million (31 December 2016: approximately RMB1,513 million). Working capital (net current assets) of the Group as at 30 June 2017 amounted to approximately RMB912 million (31 December 2016: approximately RMB1,963 million), representing a decrease by approximately 54% as compared with the previous year. Current ratio was at 1.09x (31 December 2016: 1.17x).

As at 30 June 2017, the Group's gearing ratio was 50% (31 December 2016: 43%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance) over total capital (total equity and net borrowings).

Charges on Assets and Contingent Liabilities

As at 30 June 2017, the Group's bank and other borrowings of approximately RMB5,006 million (31 December 2016: approximately RMB1,928 million) were secured by mortgage of the Group's leasehold land, investment properties, property, plant and equipment and properties held or under development for sale, or by pledge of equity interest in subsidiaries and bank deposits, or by guarantee of the Group.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the bank grants the relevant mortgage loans and end when the purchasers pledge related properties certificates as security to the bank offering the mortgage loans. The Group entered into such guarantee contracts with principal amounts totalling approximately RMB344 million (31 December 2016: approximately RMB446 million) and these contracts were still effective as at the close of business on 30 June 2017.

The Group did not incur any material losses during the period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that the probability of default of purchasers is remote and even in case of default on payments, the net realisable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty as the principal of each of the mortgage loan is normally below 70% of sales price of the respective property at date of the sales agreement, and therefore no provision has been made in connection with the guarantees.

BUSINESS REVIEW

In the first half of 2017, with the revived growth of the economy and under the insistency of guidance by the policies of "housing is for accommodation", policies were implemented based on each individual city in the regions, and measures for controlling housing prices and preventing bubbles together with de-stocking were in place. Policies for hotspot cities were frequently increased. Together with the linking and adjustment of the surrounding third and fourth-tier cities, there was a continuous upgrade of the traditional policies of purchase restrictions and lending restrictions. Accordingly, although the investment amount of real estate development had an unexpected growth, there was a slowdown in the growth of the sales volume of the Group's properties. The Group strengthened its sales efforts for its projects under construction and achieved stability in contract sales; and made efforts to improve operation for self-owned properties including Malaren Hospital and Oasis Central Ring Centre with results started stabilizing; while improving the results in sales properties and self-owned properties, the Group timely optimized its development strategy by making an early move to capitalize on some of its assets when they were selling at a high price to secure its income and cash flow. At the same time, the Group acquired two real estate development projects in the gateway cities of the west coast of the US in the first half of the year. The global business presence was emerging.

Real Estate Development

Position of design

75 Howard Project in San Francisco

75 Howard Project is located at the urban core area of San Francisco of the US and is a high-end residential project with frontline seaview. The main contractor for such project was determined in the first half of 2017. The business plan for such project, which includes the budget, progress and marketing proposals of the project is under preparation.

Napa County Project

Napa County Project is located at the southern part of Napa County of the US which is planned to be developed into a hotel. It is currently carrying out the initial positioning for the project which includes the research on the future development directions such as criteria of the market and hotels and changes in land use.

Sales Progress

In the first half of 2017, major projects put up for sale of the Group together with its joint ventures and associates included Shanghai Albany Oasis Garden, Shanghai Huating Project, Shenyang Albany Oasis Garden, Chengdu Albany Garden, Jiaxing Project and Wuxi Jiang Nan Rich Gate. In the first half of 2017, the Group together with its joint ventures and associates achieved contract sales of approximately RMB2,609 million for a total floor area of 89,500 m^2, representing a decrease of 49% as compared with the same period last year. The average selling price was RMB29,154 per m^2. Major projects put up for sale included:

Shanghai Albany Oasis Garden

Shanghai Albany Oasis Garden is situated on Shanghai Inner Ring Road and is a high-end residential project. A total area of 18,935 m^2 was sold in the first half of 2017 and the total contract sum amounted to RMB1,551 million (averaging RMB81,917 per m^2). The Group holds 40% equity interest of Shanghai Albany Oasis Garden.

Shanghai Huating Project

Shanghai Huating Project is situated on Eastern Xie Tu Road of Huangpu District in Shanghai and is a high-end residential project. A total area of 1,393 m^2 were sold in the first half of 2017, and the total contract sum amounted to RMB112 million (averaging RMB80,759 per m^2). The Group holds 50.36% equity interest of Shanghai Huating Project.

Shenyang Albany Oasis Garden

Shenyang Albany Oasis Garden is situated on South Heping Road of Heping District in Shenyang City, Liaoning Province, and is a residential community with an excellent location geographically and with well-developed transportation networks. A total area of 8,547 m^2 were sold in the first half of 2017 for RMB89 million (averaging RMB10,383 per m^2). The Group holds 98.71% equity interest of Shenyang Albany Oasis Garden.

Chengdu Albany Garden

Chengdu Albany Garden is located at Hongguang Town, Pi County, Chengdu City and is a residential community of high quality with convenient transportation facilities. A total area of 40,113 m^2 were sold in the first half of 2017 for RMB263 million (averaging RMB6,545 per m^2). The Group holds 100% equity interest of Chengdu Albany Garden.

Jiaxing Project

Jiaxing Project is situated in Nanhu District of Jiaxing City in Zhejiang Province. In keeping with the Group's focus on high-end products, the project forged a high quality, exquisite and luxurious residential community. A total area of 11,462 m^2 were sold in the first half of 2017 for RMB109 million (averaging RMB9,510 per m^2). The Group holds 98.75% equity interest of Jiaxing Project.

Wuxi Jiang Nan Rich Gate

Wuxi Jiang Nan Rich Gate is situated in the northeastern part of the Wuxi New Town, and is an exquisite townhouse project. A total area of 2,010 m^2 were sold in the first half of 2017 for RMB18.50 million (averaging RMB9,204 per m^2). The Group holds 98.75% equity interest of Wuxi Jiang Nan Rich Gate.

Land Bank

On 30 June 2017, the Group owned a land bank with a total gross floor area of approximately 2.73 million m^2 in Shanghai, Shenyang, Chengdu, Dalian and the UK. The Company focuses on first tier cities in the PRC and core cities of developed countries and developing area along the One Belt and One Road outside the PRC, and is committed to discovering assets which are underestimated or with potential.

Progress of Construction

Adhering to development plans and construction schedules outlined in the first half of 2017, the Group and its members have been carrying out construction works in an orderly and standardized manner, while making every effort to improve the construction quality and ensuring good quality projects. Major projects under construction include:

Chengdu Albany Garden

The construction of Blocks No. 9, 10, 13 and 14 of Phase II of Chengdu Albany Garden is completed and delivered; while Blocks No. 5 and 6 are constructed to 12th floor, Block No. 4 is constructed to 3rd floor and 80% of the pouring of concrete for structure of 1st floor of Block No. 3 is completed.

Shenyang Albany Oasis Garden

The total gross floor area of Phase II of Shenyang Albany Garden is 264,246 m^2, and it is divided into section A and section B. As at end of June 2017, the work of Section A of Phase II was completed and delivered to the property owners; the works of Block 7 and Block 9 in Section B of Phase II were completed and delivered to the property owners. Block 8 was about 90% completed. The centralized commercial construction for Section A of Phase III was completed basically and the commercial outlets were delivered.

The Atelier

The saleable area of the Atelier is approximately 3,259 m^2. As at the end of June 2017, the work has commenced to demolish part of the existing structures.

Progress of Relocation

Shanghai Rich Gate I

There are 1,008 certificates of households (including 40 certificates of sole proprietors) and 39 certificates of enterprises for expropriation in the old town area redevelopment project of the land lot at 717-719 Daxing Street, Huangpu District. As at 30 June 2017, contracts were signed for 869 certificates of households for the land lot at 717-719 Daxing Street, representing a signing rate of 86.21%; 559 households were relocated, accounting for 64.32% of the 869 certificates with contracts signed; and 464 households were settled (re-signed) accounting for 53.39% of the 869 certificates with contracts signed. Contracts were signed for 30 certificates of enterprises covering an area of 12,050 m^2; and 7 enterprises were relocated, covering an area of 3,196 m^2.

As at 30 June 2017, the current syndicated loan facilities were RMB5.0 billion and RMB2,023.5 million was drawn. The amount of the expropriation compensation agreement signed on 17 March 2014 with the Government was RMB5.178 billion, and the total compensation already paid was RMB3.57 billion. The cost of expropriation has increased due to the significant rise in prices of the Shanghai property market in recent years. In view of the current progress of expropriation, basing on the total building expropriation cost re-estimated by Ruihua Certified Public Accountants, a third party, and as confirmed by the Construction Committee Office of Huangpu District, an expropriation compensation agreement was signed on 2 May 2017 with the Government to increase the total compensation expenses from RMB5.178 billion to RMB6.817 billion, increasing the expropriation cost by RMB1.639 billion. Therefore, we intend to apply to the banks for increasing the facilities and at the same time apply for primary and secondary linked-development loans recently.

Shenyang Albany Oasis Garden

As at the end of June 2017, Shenyang Albany Oasis Garden had signed relocation contracts with 1,404 households and 24 enterprises (including schools), with negotiations for 60 households and 1 enterprise still in progress. The relocation was about 96% completed for households and 96% completed for enterprises and schools respectively.

Changsha Project

As at the end of June 2017, procedures for correction of the planning control indicators of the land lot for the Changsha Project has been completed and the Planning Conditions has been obtained. The notice of the expropriation and relocation for the road-width of Qinghuan Road was published in July 2017.

Self-owned Property Operation

During the first half of 2017, the Group continued to enhance the management and operation of its self-owned properties to cope with the changing market conditions and opportunities, expeditiously adjusted the operation strategies, utilized its brand advantages and management capabilities, and strived to improve profitability with the benefits of the experiences earned, including:

Lake Malaren Obstetrical and Gynecological Hospital and Postnatal Care Center

Lake Malaren Obstetrical and Gynecological Hospital and Postnatal Care Center is located in Luodian Town, a new key town in the planning of the northern expansion of Shanghai City. It offers a combination of functions including medical, education, healthcare and rehabilitation and focuses on providing high-end medical and healthcare services for couples of childbearing age. The total gross floor area is 46,000 m^2, with 86 beds and 64 guest rooms in the postnatal care club. As at 30 June 2017, total operating revenue was RMB20.97 million.

Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, the Oasis Central Ring Centre, with the high qualities of Grade 5A office buildings and being well equipped with all sorts of facilities, it has attracted an increasing number of companies to move in.

During the first half of 2017, Oasis Central Ring Centre had made tremendous efforts in attracting tenants. Currently, commercial spaces of 39,000 m^2, and 1,270 underground parking garages are for lease. As at 30 June 2017, the occupancy rate of Oasis Central Ring Centre reached 89.9%. Total rental income for shops and parking lots was RMB23.66 million.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall offers a wide range of varieties, such as shopping, fine food, leisure, entertainment, culture. As at 30 June 2017, there were 34 new tenants taking up new leasing area totalling 15,959 m^2. The total area leased was 84,210 m^2 with a total of 125 tenants and leasing rate of 79.56%. Rental income was RMB6.22 million and total operating revenue was RMB15.58 million.

41 Tower Hill Project in the UK

The project is located on the east side of the City of London. It is a freehold property with a site area of approximately 7,000 m^2, and comprises an existing office building and an adjoining car park. Currently, the office has a floor area of approximately 15,509 m^2 (166,940 square feet); gross floor area of approximately 21,189 m^2 (228,075 square feet). The office building is leased to Société Générale for a term of about 4 years expiring in March 2020. During the term, it may be re-planned to increase area, for renovation or for overall development.

12 Moorgate Project in the UK

The project is located in the core district of the City of London (EC2), which is a global financial and insurance center. It is a freehold property developed in 1998 with 6 floors and one basement. The property has a rentable area of approximately 3,151 m^2 (33,941 square feet) for office use. Its existing tenant is Schroders PLC, a renowned global wealth management company, with a remaining lease term of 6 years. In March 2018, the tenant has the option to terminate the lease in December 2019 at the earliest. After the moving out of the tenant, renovation and modification to the building may be made or the commercial function of the first floor may be increased.

Operation of Light-asset Projects

The Group proactively explored the light-asset operation model, and attempted to coordinate with banks and asset management companies and involved in advance by the means of acquiring debentures or right of return. The Group obtained assets of excellent quality by discussion and transfer or legal processes, and leveraged on the brand advantages of the Group and the experience of high-end real estate development and management to achieve profits.

Ningbo Investment Centre

In December 2016, Ningbo Meishan Free Trade Zone Zhi'ao Investment Centre ("Ningbo Investment Centre") was established, in which the Group (as a general partner) and inferior limited partners jointly held approximately 19% of its capital. The Group acquired the right of return of the property projects from Minsheng Bank after the establishment of Ningbo Investment Centre. The details in relation to the property projects are set out as follows:

(1) Minsheng Garden Project

Minsheng Garden Project, which comprises of available-for-sale apartments, townhouses and a commercial building, is located in Mapo Town, Shunyi District, Beijing City with approximately 82,529 m^2 site area. Its construction has been completed. Procedures are being made to obtain the Real Estate Title Certificate.

(2) Shunyi Fenglin Project

Shunyi Fenglin Project, which comprises of available-for-sale villas, is located in Mapo Town, Shunyi District, Beijing City with approximately 61,226 m^2 site area. Its construction has been completed. Procedures are being made to obtain the Real Estate Title Certificate.

(3) Xiangzhang Garden Project

Xiangzhang Garden Project, which comprises of commercial apartments, commercial flats and carparks, is located within the core business circle of West Nanjing Road, Jing'an District, Shanghai City, right next to Plaza 66 with approximately 5,494 m^2 site area and approximately 37,282 m^2 gross floor area. The civil and electrical engineering are close to completion, while renovation work is currently in progress.

(4) Shenzhen Project

Shenzhen Project is located at an excellent position inside the Shekou Industrial Zone, Shenzhen City and is adjacent to Nanshan Park. The project is expected to comprise of approximately 8,808 m^2 of residential properties and approximately 2,266 m^2 of carparks.

Secured loan package from ICBC

The pledged properties of the loan package are mainly located in the core areas of Pudong New District and Baoshan District, Shanghai City. The properties are commercial items with approximately 12,830 m^2 gross floor area. Negotiations have been made with the courts, lawyers and assessment agency and legal disposal proposal for the assets is being formulated. Meanwhile, discussion is being made with potential clients for an overall debt acquisition proposal.

Secured loan package from CMSB

The pledged properties of the loan package are mainly located in Caolu Town, Pudong New District, Shanghai City, next to tertiary institutions. The properties are solely residential items with approximately 13,334 m^2 gross floor area. The debt has been published in newspaper in July 2017 and solicitor firm is being engaged to carry out relevant matters such as the change of executor. Meanwhile, negotiation is underway for subsequent cooperation between the debtors, other creditors and other potential buyers.

New businesses

Darun Yunshang Project

In March 2016, a contract was signed for Darun Yunshang project for the Group to enter into real estate related internet and financial sector. The Group currently holds 12% equity interest in Darun Technology Company (大潤科技公司) and the capital increase was completed. The Group holds 80% equity interest in a factoring company. In September 2016, the factoring company obtained approval from Wuxi Municipal Bureau of Commerce for its establishment. On 10 February 2017, the factoring company obtained business licence and completed capital verification. At present, the factoring company has secured the reply for granting low risk credit of RMB100 million from Bank of China and successfully carried out its first business operation and it is in the process of obtaining credit facilities of RMB550 million from Bank of China.

BUSINESS OUTLOOK

At the Central Economic Work Conference held in mid-December 2016, it was determined that the main tone for 2017 is to pursue economic progress with stability, fiscal policy will be more proactive and effective and supply-side reform will be deepened to revive the real economy. This is conducive for the creation of a good environment for the steady development of the property market. At the same time, the central government strengthened the establishment of property mechanism with long-term effectiveness, with regional integration and new urbanization pushing forward, in building a good environment for the long-term development of the property industry. It is expected that under the combined effect of policy influence and market force, market participants and other parties involved will resume rationality gradually, and the property market will continue to remain stable in the second half of the year.

The Group together with its joint ventures and associates will grasp the favourable opportunities of the market, continue to allow full play to the advantage of its quality brand names such as Shanghai Huating and strengthen its sales efforts. At the same time, the Group will enhance its cost control and process optimization by ways of management optimization and internet to facilitate the refined operation and pursue healthy profit, cash flows and sales scale. In addition, the Group has successfully arranged financing for its overseas projects and secured the loan of GBP70.50 million for its London projects. In the second half of the year, the Group will continue to actively expand its financing means, constantly lower finance costs and utilize domestic and foreign capital to fulfill its capital requirements in China and overseas.

As urbanization in China is entering a steady stage, the property industry will enter into a silver era with gradual differentiation in regions and enterprises and transformation and upgrade becoming consensus of the industry. With the resources support and strategic guidance of China Minsheng Investment, in accordance with the development trend of the industry and drawing on SRE's high-end property development and management experience, the Group's strategic positioning of transforming from a traditional developer into an international financial and real estate platform was basically established. The Group will take real estate asset management as its principal operating strategy, and focus on three core businesses including development of city complex with financial city as a representative, urban development with real estate + industry, and primary and secondary linked-development and asset merger, acquisition and disposal. Domestically, focus will be placed on renewal and upgrade of first-tier cities and opportunistic business in second-and third-tier cities. Overseas, emphasis will be placed on core cities of developed countries and high-growth regions under the One Belt and One Road.

2017 as the beginning year of the formation of the said strategic positioning and that its globalized presence is taking shape, the Group will, in the second half of the year, on the basis of adhering to the strategic goal of "one platform, two target markets and three core businesses", emphasize on building the three core business segments, realize steady growth in profit and significant expansion of assets, and actively develop new projects. The Group will use its unique investment insight to discover assets with value underestimated or enhancement potential through multiple channels including merger and acquisition and partnership. Putting into practice the "Going abroad" strategy, the Group will seek high quality assets overseas and establish business presence in influential oversea core cities such as Sydney, London and San Francisco, in an effort of pursuing steady revenue with manageable risk and diversification of currency depreciation risk. We will also closely monitor the "One belt and One road" strategy and related policies and initiatives and identify prime projects so as to reap the bonus of the "One belt and One road" strategy early. Meanwhile, the Group will make full use of the rich industrial resources of China Minsheng Investment, prudently attempt diversification, cultivate new growing industries and develop business such as "real estate + education, real estate + medical, real estate + culture and travel" in an orderly manner.

EMPLOYEES

As at 30 June 2017, the Group had 543 employees in Hong Kong and the PRC. Total staff costs of the Group excluding directors' remuneration, for the six months ended 30 June 2017 amounted to approximately RMB71.85 million. Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Specific enquiry has been made of all Directors, who have confirmed that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and financial reporting matters. The Group's unaudited consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2017, the Board has reviewed its corporate governance practices and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules except for the following deviations:

Code Provision A.6.7

Pursuant to code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Zhuo Fumin and Mr. Han Gensheng, Independent Non-executive Directors, did not attend the annual general meeting of the Company for the year 2017 due to other business engagements.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement of the Company is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.equitynet.com.hk/sre/). The interim report of the Company for 2017 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

On behalf of the Board
SRE Group Limited
He Binwu
Chairman

Hong Kong, 29 August 2017

As at the date hereof, the Board comprises seven executive directors, namely Mr. He Binwu, Mr. Peng Xinkuang, Mr. Chen Donghui, Mr. Chen Chao, Mr. Shi Janson Bing, Mr. Zhu Qiang and Ms. Qin Wenying; and four independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Ma Lishan and Mr. Han Gensheng.

* *For identification purpose only*