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 FOR THE SIX MONTHS ENDED 30 JUNE 2015

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2015
Revenue (HK$'000)	**535,568**
Loss attributable to owners of the parent (HK$'000)	**(261,646)**
Basic loss per share (HK cents)	**(4.62)**
Dividend per share-Interim (HK cents)	–

INTERIM RESULTS

The Board of Directors (the "Board") 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 2015 together with comparative figures for the previous corresponding period in 2014. The unaudited interim financial statements for the six months ended 30 June 2015 have been reviewed by the Company's Audit Committee.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

(Amounts expressed in Hong Kong dollar and rounded to nearest thousand unless otherwise stated)

		For the six months ended 30 June	
		2015	2014
	Notes	**Unaudited**	Unaudited
Revenue	*3*	**535,568**	1,029,089
Cost of sales		**(440,909)**	(607,341)
Gross profit		**94,659**	421,748
Other gains – net		**5,659**	9,115
Selling and marketing expenses		**(108,285)**	(28,738)
Administrative expenses		**(110,575)**	(124,339)
Operating (loss)/profit		**(118,542)**	277,786
Finance income		**27,394**	26,658
Finance costs		**(232,875)**	(207,137)
Finance costs – net		**(205,481)**	(180,479)
Share of profits of associates		**88**	322
(Loss)/profit before tax		**(323,935)**	97,629
Income tax expense	*4*	**4,941**	(67,525)
(Loss)/profit for the period		**(318,994)**	30,104
Other comprehensive income			
Item not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency		**2,885**	(90,757)
Other comprehensive income for the period, net of tax		**2,885**	(90,757)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(316,109)**	(60,653)

	Notes	For the six months ended 30 June **2015** **Unaudited**	2014 Unaudited
(Loss)/profit attributable to:			
Owners of the parent		**(261,646)**	9,512
Non-controlling interests		**(57,348)**	20,592
		(318,994)	30,104
Total comprehensive income attributable to:			
Owners of the parent		**(258,839)**	(77,971)
Non-controlling interests		**(57,270)**	17,318
		(316,109)	(60,653)
(Loss)/earnings per share attributable to ordinary equity holders of the parent	*5*		
– Basic		**(HK$4.62 cents)**	HK$0.17 cents
– Diluted		**(HK$4.62 cents)**	HK$0.17 cents

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

(Amounts expressed in Hong Kong dollar and rounded to nearest thousand unless otherwise stated)

	Notes	**30 June 2015 Unaudited**	31 December 2014 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**1,677,349**	1,672,425
Investment properties		**6,670,141**	6,709,310
Prepaid land lease payments		**130,917**	133,023
Goodwill		**569,545**	569,329
Investments in associates		**56,367**	57,512
Deferred tax assets		**394,482**	394,332
Non-current prepayments		**6,340**	6,338
Available-for-sale investments		**12,681**	12,676
Other non-current assets		**32,177**	34,225
		9,549,999	9,589,170
Current assets			
Prepaid land lease payments		**12,058,443**	12,193,194
Properties held or under development for sale		**10,473,024**	9,367,652
Inventories		**23,104**	18,014
Prepayments and other current assets		**3,525,540**	3,372,619
Other receivables		**445,752**	389,118
Trade receivables	*7*	**48,452**	47,356
Prepaid income tax		**235,976**	240,763
Cash and bank balances		**2,240,484**	2,108,997
		29,050,775	27,737,713
Total assets		**38,600,774**	37,326,883

	Notes	**30 June 2015 Unaudited**	31 December 2014 Audited
EQUITY AND LIABILITIES			
EQUITY			
Issued capital and premium		**6,000,738**	6,000,738
Other reserves		**1,691,064**	1,688,257
Retained profits		**1,086,090**	1,347,736
Equity attributable to owners of the parent		**8,777,892**	9,036,731
Non-controlling interests		**509,534**	566,804
Total equity		**9,287,426**	9,603,535
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**11,318,345**	12,365,003
Deferred tax liabilities		**2,139,727**	2,154,852
		13,458,072	14,519,855
Current liabilities			
Interest-bearing bank and other borrowings		**7,853,179**	7,229,169
Advances received from the pre-sale of properties under development		**3,328,821**	1,542,255
Trade payables	*8*	**1,938,739**	2,135,637
Other payables and accruals		**1,219,675**	721,529
Current income tax liabilities		**1,514,862**	1,574,903
		15,855,276	13,203,493
Total liabilities		**29,313,348**	27,723,348
Total equity and liabilities		**38,600,774**	37,326,883
Net current assets		**13,195,499**	14,534,220
Total assets less current liabilities		**22,745,498**	24,123,390

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollar and rounded to nearest thousand unless otherwise stated)

1. Basis of preparation and accounting policies

1.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

1.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of new and revised standards and interpretations as of 1 January 2015, as described below:

Amendments to HKAS 19	Amendments to HKAS 19 – *Defined Benefit Plans: Employee Contribution*
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

Adoption of these new HKFRS did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

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

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments 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 hotel operations segment provides hotel accommodation, hotel catering and conference hall services; and

- The corporate and other operations segment comprises, principally, 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. The performance of each segment is evaluated based on its operating profit or loss before tax and the methodology used for its calculation is 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 business segment is as follows:

	Six months ended 30 June 2015 (unaudited)				
	Property development	**Property leasing**	**Hotel operations**	**Corporate and other operations**	**Total**
Segment revenue					
Sales to external customers	**261,767**	**60,879**	**97,990**	**114,932**	**535,568**
Intersegment sales	–	–	–	**2,438**	**2,438**
	261,767	**60,879**	**97,990**	**117,370**	**538,006**
Reconciliation:					
Elimination of intersegment sales					**(2,438)**
Revenue					**535,568**
Segment (loss)/profit	**(154,530)**	**34,244**	**11,060**	**(9,316)**	**(118,542)**
Finance income					**27,394**
Finance costs					**(232,875)**
Finance costs – net					**(205,481)**
Share of profits of associates					**88**
Loss before tax					**(323,935)**

	Six months ended 30 June 2014 (unaudited)				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue					
Sales to external customers	808,806	48,582	85,218	86,483	1,029,089
Intersegment sales	–	–	–	1,407	1,407
	808,806	48,582	85,218	87,890	1,030,496
Reconciliation:					
Elimination of intersegment sales					(1,407)
Revenue					1,029,089
Segment profit/(loss)	256,632	28,233	6,593	(13,672)	277,786
Finance income					26,658
Finance costs					(207,137)
Finance costs – net					(180,479)
Share of profits of associates					322
Profit before tax					97,629

3. Revenue

An analysis of revenue during the period is as follows:

	(unaudited) For the six months ended 30 June	
	2015	2014
Sale of development properties	**277,160**	855,024
Hotel operations	**103,858**	90,319
Revenue from property leasing	**65,692**	52,448
Property management income	**100,441**	91,571
Revenue from construction of infrastructure for an intelligent network	**7,233**	691
Other revenue	**14,184**	2,519
	568,568	1,092,572
Less: Business tax and surcharges *(a)*	**(33,000)**	(63,483)
Total revenue	**535,568**	1,029,089

(a) Business tax and surcharges

Business tax is 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.

Government surcharges, comprising City Maintenance and Construction Tax, Education Surtax and River Way Management Fee, are calculated at certain percentages of business tax.

4. Income Tax

	(unaudited) For the six months ended 30 June	
	2015	2014
Current taxation		
– Mainland China income tax *(a)*	**4,908**	25,555
– Mainland China LAT *(c)*	**6,057**	45,211
	10,965	70,766
Deferred taxation		
– Mainland China income tax	**(8,377)**	164
– Mainland China LAT	**(623)**	(1,609)
– Mainland China withholding tax *(d)*	**(6,906)**	(1,796)
	(15,906)	(3,241)
Total tax charge for the period	**(4,941)**	67,525

(a) Mainland China income tax

The Group conducts nearly entirely all 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.

(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 period.

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

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

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1.5% to 5% on proceeds of the sale and pre-sale of properties.

(d) Mainland China Withholding tax

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

5. (Loss)/earnings per Share attributable to ordinary equity holders of the parent

The calculation of basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,664,713 thousand (2014: 5,664,713 thousand) in issue during the period.

For the period ended 30 June 2014, the calculation of diluted earnings per share amount did not take into account the convertible bonds, because they were anti-dilutive. As all of such convertible bonds were redeemed on 23 July 2014 and the Company had no dilutive potential ordinary shares in issue for the period ended 30 June 2015, the diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share for the periods ended 30 June 2015 and 2014.

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

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic and diluted (loss)/earnings per share calculations	**(261,646)**	9,512

	Number of shares	
	For the six months ended 30 June 2015	For the six months ended 30 June 2014
	(Thousand shares)	*(Thousand shares)*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss)/earnings per share calculations	**5,664,713**	5,664,713

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

6. Dividend

On 27 August 2015, the Board resolved not to declare an interim dividend for the six months ended 30 June 2015 (2014: Nil).

7. Trade Receivables

	30 June 2015 Unaudited	31 December 2014 Audited
Trade receivables	**58,599**	57,498
Less: Provision for impairment	**(10,147)**	(10,142)
	48,452	47,356

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 2015 Unaudited	31 December 2014 Audited
Within 6 months	**9,015**	37,164
6 months – 1 year	**582**	1,632
1 – 2 years	**37,361**	1,019
Over 2 years	**11,641**	17,683
	58,599	57,498

Trade receivables are non-interest-bearing. 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 2015 Unaudited	31 December 2014 Audited
Trade payables	**1,938,739**	2,135,637

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 2015 Unaudited	31 December 2014 Audited
Within 1 year	**1,364,721**	1,426,815
1 – 2 years	**460,120**	371,478
Over 2 years	**113,898**	337,344
	1,938,739	2,135,637

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 period under review, the Group recorded a net revenue of approximately HK$536 million (2014: HK$1,029 million), a decrease of approximately 48% compared with that of the corresponding period of last year. Loss attributable to owners of the parent for the six months ended 30 June 2015 amounted to approximately HK$262 million while profit attributable to owners of the parent for the corresponding period of last year was approximately HK$10 million. These were mainly due to the reason that major projects of the Group are still under development and have yet to hand over the properties to buyers such that presale proceeds received thereunder have yet to be recoginsed as revenue under the current period.

The Board resolved not to declare an interim dividend for the six months ended 30 June 2015 (2014: Nil).

Liquidity and Financial Resources

As at 30 June 2015, cash and bank balances amounted to approximately HK$2,240 million (31 December 2014: approximately HK$2,109 million). Working capital (net current assets) of the Group as at 30 June 2015 amounted to approximately HK$13,195 million (31 December 2014: approximately HK$14,534 million), a decrease by approximately 9% as compared with the previous year. Current ratio was at 1.83x (31 December 2014: 2.10x).

As at 30 June 2015, the gearing ratio, being the Group's net borrowings (total borrowings minus cash and bank balance) to total capital (total equity plus net borrowings), was 65% (31 December 2014: 65%).

Charges on Assets and Contingent Liabilities

As at 30 June 2015, bank and other borrowings of approximately HK$18,156 million (31 December 2014: approximately HK$19,070 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, bank deposits and cashflow from pre-sale of properties.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantee agreements, 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 of grant of the relevant mortgage loans and end when the purchasers pledge related property certificates as securities to the banks for the mortgage loans granted by the banks. The Group entered into guarantee contracts of principal amounts totalling RMB97 million (equivalent to HK$123 million) and these contracts were still valid on 30 June 2015 (31 December 2014: RMB111 million, equivalent to HK$140 million).

The Group did not incur any material losses during the period in question 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, because the mortgage principals were normally below 70% of sales price of the properties at date of sales agreement, and therefore no provision was made in connection with the guarantees under these financial statements.

BUSINESS REVIEW

In the first half of 2015, the monetary and credit policy continued to gain traction, helped reduce inventory, stablize investment and economic growth. Under the influence of easy monetary and vigorous fiscal policies, transactions in real estate recovered and the average price of residential properties for each of the selected one hundred cities rebounded. While the first-tier cities were leading in the rise of prices, the home prices in second-tier and third-tier cities continued to make adjustments. During this period, the Group strengthened its sales efforts for its new projects including Shanghai Albany Oasis Garden Phase III, Shanghai Huating Project and Shenyang Albany Oasis Garden Phase II, and a significant increase in contract sales was recorded for the period. Contract sales increased by 1,406% as compared with the corresponding period of last year. As sales were getting momentum, the Group concurrently and aptly adjusted its development strategies and endeavored to usher in new strategic investors so as to help maintain a sound development of the Company.

Real Estate Development

Sales Progress

In the first half of 2015, the Group's major projects put up for sale included Shanghai Albany Oasis Garden, Huating Project, Oasis Central Ring Centre, Jiaxing Project, Jiang Nan Rich Gate Wuxi and Shenyang Albany Oasis Garden. From January to June 2015, the Group achieved contract sales of approximately RMB3,075.3 million for a total floor area of 100,556 m^2, which, inter alia, included:

Shanghai Albany Oasis Garden

Shanghai Albany Oasis Garden is situated on Zhong Xing Road of Zhabei District in Shanghai and is a large-scale urban renewal project. 176 units with a total area of 30,015 m^2 were sold in the first half of 2015, and the total contract sum amounted to RMB1,838.95 million (averaging RMB61,236 per m^2).

Huating Project

Huating Project is situated on Eastern Xie Tu Road of Huangpu District in Shanghai and is a high-end residential project. 57 units with a total area of 7,544 m^2 were sold in the first half of 2015, and the total contract sum amounted to RMB554.86 million (averaging RMB73,550 per m^2).

Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, the Oasis Central Ring Centre, with the 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. 8 units with a total area of 1,305 m^2 were sold in the first half of 2015 for RMB50.88 million (averaging RMB22,684 per m^2).

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 of 26 units with a total area of 6,521 m^2 were sold in the first half of 2015 for RMB59.31 million (averaging RMB9,096 per m^2).

Jiang Nan Rich Gate Wuxi

Jiang Nan Rich Gate Wuxi is situated in the northeastern part of the Wuxi New Town, and is an exquisite townhouse project. A total of 28 units with a total area of 8,345 m^2 were sold in the first half of 2015 for RMB82.04 million (averaging RMB9,831 per m^2).

Shengyang Albany Oasis Garden

Shengyang 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 of 385 units with a total area of 45,638 m^2 were sold in the first half of 2015 for RMB436.71 million (averaging RMB8,884 per m^2).

Progress of Construction

Adhering to development plans and construction schedules outlined at the beginning of 2015, the Group and its subsidiaries have been carrying out construction works in an orderly and standardized manner, while making every effort to improve the construction quality. Major projects under construction include:

Shanghai Albany Oasis Garden

As of June 2015, all underground construction of Shanghai Albany Oasis Garden Phase III had been completed, block 1 to 7 and block 10 to 12 had been topped out, and the main structure of block 8 and block 9 was built to its 28th floor. Water and electricity embedment and interior and exterior wall insulation works are currently underway.

Huating Project

As of June 2015, block 1 to 5 and block 7 of Huating Project had been topped out and works such as interior and exterior wall painting, installation of aluminum alloy doors and windows and installation and insulation works of exterior walls had begun. The fitting-out work of the show flats of block 1 and 2 was completed.

Shenyang Albany Oasis Garden

The total gross floor area of Phase II is 180,000 m^2, and it is divided into section A and section B. As of June 2015, the construction of the main structure of the high-rise buildings in section A was completed and the coating work of the exterior walls was underway. The attics of Block 7 of Section B was being constructed and was about 80% completed. The plastering work of 1st to 3rd floor of Carrefour (家樂福) was completed.

Progress of Relocation

Shanghai Albany Oasis Garden

As at the end of June 2015, save for parcel A for which the evacuation and demolition has not yet started, 6,214 households representing 98.1% of the total had been relocated while all economic enterprises had been relocated.

Rich Gate I (Qinhai Oasis Garden)

As at the end of June 2015, with inhabitants of a total of 848 authorized certificates and enterprises of 16 authorized certificates relocated, households relocation for Rich Gate I project was 45.6% completed and enterprises relocation for Rich Gate I project was 28.1% completed. The project was included in the precinct for 2014 urban renewal for both Shanghai Municipality and Huangpu District, and the House Acquisition Agreement had been signed with Shanghai Huangpu District Construction and Traffic Committee.

Shenyang Albany Oasis Garden

As of the end of June 2015, Shenyang Albany had signed relocation contracts with 1,399 households and 13 enterprises (including schools), with negotiations for 101 households and 12 enterprises and schools still in progress. The relocation was about 92% completed for households and 52% completed for enterprises and schools respectively.

Commercial Property Operation

During the first half of 2015, the Group continued to enhance the management and operation of its commercial 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:

Shanghai Skyway Pullman Hotel

From January to June 2015, the hotel recorded revenue of RMB82.10 million, comprising room revenue of RMB42.13 million and revenue from food and beverages of RMB32.90 million. Gross profit amounted to approximately RMB26.56 million and the occupancy rate was about 86%.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall offers a wide range of varieties, such as shopping, fine food, leisure, entertainment, culture, sports & recreation and services. As of June 2015, a total area of 68,204 m^2 were leased, accounting for 61% of the total rentable area, and rental income totaled RMB26.90 million.

Central Ring Centre

During the first half of 2015, Central Ring Centre had made tremendous efforts in attracting tenants. Currently, commercial and office spaces of 39,000 m^2, and an underground parking garage of 57,000 m^2 are for lease. As at the end of June 2015, rental income totaled RMB24.64 million, RMB21.49 million of which were lease income from commercial area and office spaces while parking fee income totaled RMB2.70 million.

BUSINESS OUTLOOK

In 2015, under the backdrop of the Central Government's policy of stabilizing the economic growth, adjusting its structure and stimulating consumption, the Central Bank has repeatedly trimmed the reserve requirement ratio and the interest rate, lowered the thresholds for extending credits and adjusted the period for the exemption of business tax for home transfer, creating an easy market environment; a series of policies in relation to the relaxation for provident funds, financial subsidies and others were also launched by regional governments; under the cumulative effect of these policies from different levels of authorities, the trend of recovery in the real estate market was basically set. In the second half of the year, under the expectation that the growth rate of the economy will cascade down, the monetary conditions will remain easy and stable. Such a sound macro-environment is beneficial to the continuous recovery of the real estate market. As the market recovers, especially for the mid to high-end market where the sale of completed but unsold units has been accelerating, the Group will continue to allow full play to the unique advantage of the quality brand names of Shanghai Albany Oasis Garden Phase III and Shanghai Huating Project, and, to cope with the demand of the market, will further strengthen its sales efforts and help the sales results of the second half of the year to achieve a record high.

According to the statistics published by the China National Statistics Bureau, total investments in real estate development in the first half of 2015 amounted to RMB4.3955 trillion, representing a nominal increase of 4.6% over the same period of last year. Out of this total amount, investment in residential property development amounted to RMB2.9506 trillion, representing an increase of 2.8% over the same period of last year, and total gross floor area of commodity apartments sold amounted to 50,264 m^2, representing an increase of 3.9% over the same period of last year. The financial easing policies helped lift both supply and demand, and as the sales volume rebounded and prices stopped to drop, the market turns benignant.

While the market conditions have been improving, drastic changes are underway in the real estate industry. Polarization emerged as a result of the competition among domestic housing enterprises. The competitive advantages of the leading housing enterprises gradually became more obvious after they unprecedentedly cooperated amongst each other. In face of such alliances between the mammoth enterprises and the difficulties to survive, small to medium sized housing enterprises strove to survive by selling their shares and the degree of industry concentration further increased. 2015 is destined to be a year of transformation, and as transformation continues to be the theme, the Group will gradually adapt to the new environment. The previous asset-heavy business model is no longer sustainable and transformation into asset-light business model is undoubtedly the direction for development for the Group in the future. The Group will enhance its cost control, optimize its work flow and promote the preciseness of its operation by using Internet technologies and by improving its management capabilities, aiming at profits, sales volume and healthiness in its cashflow. The Group will, taking the opportunity arising from the real estate market becoming more market oriented, continue to actively look for strategic partners and implement reorganization and transformation. In the second half of the year, to cope with the new market "commonalities", the Group will adopt a four-dimensional approach in rejuvenating its business, namely profit and scale, product and distribution, sales and di-stocking as well as management and innovation.

EMPLOYEES

As at 30 June 2015, the Group had retained 1,929 employees in Hong Kong and the PRC. Total staff costs of the Group excluding directors' remuneration, for the period under review amounted to approximately HK$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 THE COMPANY'S LISTED SHARES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2015.

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 (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Specific enquiry has been made of all Directors, who have confirmed that they compiled with required standard set out in the Model Code.

AUDIT COMMITTEE

The 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 reporting matters. The Group's unaudited consolidated financial statements for the six months ended 30 June 2015 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

Throughout the financial period, 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 (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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. Guoping, the Independent Non-executive Director did not attend the annual general meeting for the year 2015 due to other business engagements.

Code Provision E.1.2

Pursuant to code provision E.1.2, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Shi Jian, the Chairman of the Board and the Chairman of the Nomination Committee, did not attend the annual general meeting for the year 2015 due to other business engagements. Vice-chairman of the Board and the Chief Executive Officer, other directors of the Board, the Chief Financial Officer of the Company, the Company Secretary and the auditors had attended the meeting to answer questions at the meeting.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.equitynet.com.hk/sre/). The interim report for 2015 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange and the Company in due course.

On behalf of the Board
SRE Group Limited
Wang Zi Xiong
Co-chairman and Chief Executive Officer

Hong Kong, 27 August 2015

As at the date hereof, the Board comprises six executive directors, namely Mr. Shi Jian, Mr. Wang Zi Xiong, Mr. Shi Janson Bing, Mr. Ma Dayu, Mr. Li Genfa and Mr. Shi Lizhou; two non-executive directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong and four independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Yang Chao and Mr. Guoping.

* *For identification purpose only*