

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

2015 FINAL RESULTS ANNOUNCEMENT

The board (the “Board”) of directors (the “Directors”) 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 2015 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

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

	Notes	2015	2014
Revenue	4	1,762,515	1,439,956
Cost of sales	5	(3,119,767)	(1,133,304)
Gross (loss)/profit		(1,357,252)	306,652
Other (losses)/gains – net		(191,335)	964,797
Selling and marketing expenses	5	(336,855)	(77,148)
Administrative expenses	5	(371,730)	(270,308)
Operating (loss)/profit		(2,257,172)	923,993
Finance income		38,189	99,204
Finance costs		(480,210)	(456,753)
Finance costs – net		(442,021)	(357,549)
Share of profits of associates		991	1,431
(Loss)/profit before tax		(2,698,202)	567,875
Income tax credit/(expense)	6	230,391	(423,600)
(Loss)/profit for the year		(2,467,811)	144,275

	<i>Notes</i>	2015	2014
Other comprehensive income			
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of financial statements into presentation currency		<u>(545,456)</u>	<u>(30,908)</u>
Other comprehensive income for the year, net of tax		<u>(545,456)</u>	<u>(30,908)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(3,013,267)</u>	<u>113,367</u>
(Loss)/profit attributable to:			
Owners of the parent		<u>(2,364,415)</u>	<u>(105,954)</u>
Non-controlling interests		<u>(103,396)</u>	<u>250,229</u>
		<u>(2,467,811)</u>	<u>144,275</u>
Total comprehensive income attributable to:			
Owners of the parent		<u>(2,881,561)</u>	<u>(137,611)</u>
Non-controlling interests		<u>(131,706)</u>	<u>250,978</u>
		<u>(3,013,267)</u>	<u>113,367</u>
Loss per share attributable to ordinary equity holders of the parent			
	7		
– Basic		<u>HK(34.73) cents</u>	<u>HK(1.87) cents</u>
– Diluted		<u>HK(34.73) cents</u>	<u>HK(1.87) cents</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 December 2015

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

	Notes	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment		468,829	1,672,425
Investment properties		5,725,705	6,709,310
Prepaid land lease payments		50,842	133,023
Goodwill		227,370	569,329
Investments in associates		55,069	57,512
Deferred tax assets		310,284	394,332
Non-current prepayments		–	6,338
Available-for-sale investment		11,936	12,676
Other non-current assets		–	34,225
		<u>6,850,035</u>	<u>9,589,170</u>
Current assets			
Prepaid land lease payments		4,697,787	12,193,194
Properties held or under development for sale		5,192,599	9,367,652
Inventories		17,655	18,014
Prepayments and other current assets		2,623,121	3,372,619
Other receivables		360,978	389,118
Trade receivables	9	69,640	47,356
Notes receivable	9	645	–
Prepaid income tax		186,114	240,763
Available-for-sale investment		1,790	–
Loans and receivables		255,908	–
Cash and bank balances		3,049,760	2,108,997
		<u>16,455,997</u>	<u>27,737,713</u>
Assets classified as held for sale		11,493,976	–
		<u>27,949,973</u>	<u>27,737,713</u>
Total assets		<u><u>34,800,008</u></u>	<u><u>37,326,883</u></u>

EQUITY AND LIABILITIES**EQUITY**

Issued share capital and share premium	7,488,108	6,000,738
Other reserves	1,171,946	1,688,257
(Accumulated losses)/retained profits	(1,017,554)	1,347,736
Equity attributable to owners of the parent	7,642,500	9,036,731
Non-controlling interests	397,161	566,804
Total equity	8,039,661	9,603,535

LIABILITIES**Non-current liabilities**

Interest-bearing bank and other borrowings	2,496,551	12,365,003
Deferred tax liabilities	1,647,654	2,154,852
	4,144,205	14,519,855

Current liabilities

Interest-bearing bank and other borrowings	8,422,193	7,229,169
Advances received from the pre-sale of properties under development	2,361,360	1,542,255
Trade payables	814,468	2,135,637
Other payables and accruals	956,431	721,529
Current income tax liabilities	1,231,397	1,574,903
	13,785,849	13,203,493
Liabilities directly associated with the assets classified as held for sale	8,830,293	—

Total liabilities**26,760,347** 27,723,348**Total equity and liabilities****34,800,008** 37,326,883**Net current assets****5,333,831** 14,534,220**Total assets less current liabilities****12,183,866** 24,123,390

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

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

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued share capital and share premium	Asset revaluation reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Retained profits/ (accumulated losses)	Total		
At 1 January 2015	6,000,738	1,211*	368,511*	1,709,198*	(390,663)*	1,347,736	9,036,731	566,804	9,603,535
Total comprehensive income for the year	-	-	-	(517,146)	-	(2,364,415)	(2,881,561)	(131,706)	(3,013,267)
Appropriation from retained profits	-	-	875	-	-	(875)	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	(37,031)	(37,031)
Issue of shares	1,490,000	-	-	-	-	-	1,490,000	-	1,490,000
Share issue expenses	(2,630)	-	-	-	-	-	(2,630)	-	(2,630)
Change due to other reserve of an associate	-	-	-	-	(40)	-	(40)	-	(40)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	(906)	(906)
At 31 December 2015	<u>7,488,108</u>	<u>1,211*</u>	<u>369,386*</u>	<u>1,192,052*</u>	<u>(390,703)*</u>	<u>(1,017,554)</u>	<u>7,642,500</u>	<u>397,161</u>	<u>8,039,661</u>

Attributable to owners of the parent

	Issued share capital and share premium	Asset revaluation reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Equity component of convertible bonds	Retained profits	Proposed final dividend	Total	Non- controlling interests	Total equity
At 1 January 2014	6,000,738	1,211*	367,249*	1,740,855*	(397,261)*	2,810*	1,454,952	60,046	9,230,600	322,755	9,553,355
Total comprehensive income for the year	-	-	-	(31,657)	-	-	(105,954)	-	(137,611)	250,978	113,367
Appropriation from retained profits	-	-	1,262	-	-	-	(1,262)	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	21,878	21,878
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(20,430)	(20,430)
Change due to increase in equity interests in subsidiaries	-	-	-	-	192	-	-	-	192	(445)	(253)
Change due to decrease in equity interests in subsidiaries	-	-	-	-	3,596	-	-	-	3,596	(3,598)	(2)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4,334)	(4,334)
Transfer upon the redemption of CB4	-	-	-	-	2,810	(2,810)	-	-	-	-	-
Final 2013 dividend distribution	-	-	-	-	-	-	-	(60,046)	(60,046)	-	(60,046)
At 31 December 2014	6,000,738	1,211*	368,511*	1,709,198*	(390,663)*	-*	1,347,736	-	9,036,731	566,804	9,603,535

* *These reserve accounts comprise the consolidated reserves of HK\$1,171,946 thousand (2014: HK\$1,688,257 thousand) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

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

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from/(used in) operations	11	4,444,979	(2,986,404)
Interest paid		(1,570,119)	(1,584,082)
Income tax paid		(154,763)	(159,129)
		<hr/>	<hr/>
Net cash flows from/(used in) operating activities		2,720,097	(4,729,615)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(43,652)	(308,544)
Proceeds from disposal of items of property, plant and equipment		1,645	53,931
Payments for investment properties		(2,580)	(5,358)
Acquisition of subsidiaries		–	(14,724)
Disposal of subsidiaries		281,839	148,061
Purchase of available-for-sale investments		(1,790)	(12,676)
Reduction of capital of an associate		–	16,406
Settlement of receivables in connection with acquisition of Konmen Investment Limited		11,924	1,025
Advance received in relation to disposal of subsidiaries		129,143	–
Increase in loans to third parties		(255,908)	–
Decrease in time deposits with original maturity of over three months		–	2,543
Dividends received from an associate		–	3,111
Interest received		85,594	73,212
		<hr/>	<hr/>
Net cash flows from/(used in) investing activities		206,215	(43,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,490,000	–
Share issue expenses		(2,630)	–
Decrease in pledged bank deposits		165,414	36,582
Decrease/(increase) in restricted deposits in relation to bank borrowings		29,287	(24,203)
Proceeds from short-term borrowings		2,392,841	1,695,457
Repayments of short-term borrowings		(1,428,832)	(742,933)
Proceeds from long-term borrowings		370,543	5,516,578
Repayments of long-term borrowings		(4,039,202)	(2,437,413)

	<i>Notes</i>	2015	2014
Payments for the redemption of CB4		–	(8,813)
Dividends paid to the Company’s shareholders		–	(60,046)
Dividends paid to non-controlling shareholders of a subsidiary		(906)	(4,334)
		<hr/>	<hr/>
Net cash flows (used in)/from financing activities		(1,023,485)	3,970,875
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,902,827	(801,753)
Cash and cash equivalents at beginning of year		572,179	1,382,220
Effect of foreign exchange rate changes, net		(107,893)	(8,288)
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,367,113	572,179
		<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		1,707,757	572,179
Cash and cash equivalents attributable to assets classified to held for sale		659,356	–
		<hr/>	<hr/>
Cash and cash equivalents as stated in the statement of cash flows		2,367,113	572,179
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

(Amounts expressed in Hong Kong dollar to nearest thousand 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 investment properties which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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

The financial statements have been prepared under the going concern basis as the Company’s parent company, China Minsheng Jiaye has undertaken to provide financial support to the Company, including the extension of timing for the repayment of a shareholder loan to the Company when it became due, the provision of back to back indemnity for consequential losses arising from certain guarantees issued by the Group, and other measures if necessary to ensure that the Group would be able to meet its obligations as and when they fall due in the foreseeable future.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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 development for sale) 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 Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

Annual Improvements to HKFRSs 2010-2012 Cycle

Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. 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 at the then prevailing market prices.

An analysis by operating segment is as follows:

	2015				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue					
Sales to external customers	1,193,504	109,947	199,926	259,138	1,762,515
Intersegment sales	–	–	–	47,635	47,635
	<u>1,193,504</u>	<u>109,947</u>	<u>199,926</u>	<u>306,773</u>	<u>1,810,150</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(47,635)
Revenue					<u>1,762,515</u>
Segment (loss)/profit	<u>(2,086,570)</u>	<u>(71,698)</u>	<u>18,076</u>	<u>(116,980)</u>	<u>(2,257,172)</u>
Finance income					38,189
Finance costs					(480,210)
Finance costs – net					(442,021)
Share of profits of associates					991
Loss before tax					<u>(2,698,202)</u>
Segment assets and liabilities					
Segment assets	<u>24,495,349</u>	<u>6,171,274</u>	<u>1,754,677</u>	<u>2,323,639</u>	34,744,939
Investments in associates					55,069
Total assets					<u>34,800,008</u>
Segment liabilities	<u>21,070,466</u>	<u>2,850,697</u>	<u>740,251</u>	<u>2,098,933</u>	26,760,347
Total liabilities	<u>21,070,466</u>	<u>2,850,697</u>	<u>740,251</u>	<u>2,098,933</u>	<u>26,760,347</u>

	2015				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Other segment information:					
Depreciation and amortisation	6,360	252	44,150	1,433	52,195
Capital expenditure*	16,802	(18,187)	12,964	3,657	15,236
Fair value loss on investment properties, net	–	71,315	–	–	71,315
Impairment of goodwill	321,308	–	–	–	321,308
Write-down of properties held or under development for sale	670,017	–	–	–	670,017
Write-down of prepaid land lease payments	711,461	–	–	–	711,461
Provision for impairment of prepayments and other current assets	–	–	–	13,975	13,975
Provision for impairment of other non-current assets	–	–	–	27,019	27,019
Provision for impairment of other receivables	2,041	–	–	4,969	7,010
	<u>2,041</u>	<u>–</u>	<u>–</u>	<u>4,969</u>	<u>7,010</u>

* Capital expenditure consists of additions of property, plant and equipment (HK\$30,208 thousand), adjustment of investment properties (-HK\$18,218 thousand) and prepaid land lease payments (HK\$3,246 thousand).

	2014				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue					
Sales to external customers	960,402	106,078	183,755	189,721	1,439,956
Intersegment sales	–	–	–	60,973	60,973
	<u>960,402</u>	<u>106,078</u>	<u>183,755</u>	<u>250,694</u>	1,500,929
<i>Reconciliation:</i>					
Elimination of intersegment sales					(60,973)
Revenue					<u>1,439,956</u>
Segment (loss)/profit	<u>(92,034)</u>	<u>1,047,315</u>	<u>9,160</u>	<u>(40,448)</u>	923,993
Finance income					99,204
Finance costs					(456,753)
Finance costs – net					(357,549)
Share of profits of associates					1,431
Profit before tax					<u>567,875</u>
Segment assets and liabilities					
Segment assets	<u>27,944,150</u>	<u>6,721,673</u>	<u>1,817,413</u>	<u>786,135</u>	37,269,371
Investments in associates					57,512
Total assets					<u>37,326,883</u>
Segment liabilities	<u>20,843,829</u>	<u>3,123,360</u>	<u>980,598</u>	<u>2,775,561</u>	27,723,348
Total liabilities	<u>20,843,829</u>	<u>3,123,360</u>	<u>980,598</u>	<u>2,775,561</u>	<u>27,723,348</u>
Other segment information:					
Depreciation and amortisation	7,417	271	45,489	2,034	55,211
Capital expenditure*	4,093	5,402	387,199	6,111	402,805
Fair value gain on investment properties, net	–	993,326	–	–	993,326
Impairment of goodwill	79,398	–	–	–	79,398
Write-down of properties held or under development for sale	84,367	–	–	–	84,367
Write-down of prepaid land lease payments	9,296	–	–	–	9,296

* Capital expenditure consists of additions of property, plant and equipment (HK\$397,447 thousand) and investment properties (HK\$5,358 thousand).

Geographical information

- (a) As of 31 December 2015, 100% (2014:100%) of the sales to external customers of the Group are generated from Mainland China.
- (b) Non-current assets

As of 31 December 2015, more than 99% (2014: more than 99%) of the Group's non-current assets (based on the locations of the assets and excludes financial instruments and deferred tax assets) were located in Mainland China.

Information about major customers

The Group's customers from whom the revenue is derived are widely dispersed. No customer or a single group of customers which are known to be under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2015 and 2014.

4. REVENUE

Revenue, 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:

	2015	2014
Sale of development properties	1,265,443	1,021,621
Hotel operations	210,495	194,757
Revenue from property leasing	118,875	115,685
Property management revenue	175,921	172,205
Revenue from construction of infrastructure for an intelligent network	9,148	21,914
Other revenue	87,999	15,486
	<u>1,867,881</u>	<u>1,541,668</u>
Less: Business tax and surcharges	(105,366)	(101,712)
Total revenue	<u><u>1,762,515</u></u>	<u><u>1,439,956</u></u>

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.

5. EXPENSE BY NATURE

An analysis of expense by nature is as follows:

	2015	2014
Cost of inventories sold (excluding depreciation, write-down of properties held or under development for sale and prepaid land lease payments)	1,695,735	996,034
Depreciation of items of property, plant and equipment	47,818	50,468
Employee benefit expense (including directors' and chief executive's emoluments):		
– Wages and salaries	145,505	103,018
– Other social welfare	24,553	23,816
	<u>170,058</u>	<u>126,834</u>
Write-down of properties held or under development for sale	670,017	84,367
Write-down of prepaid land lease payments	711,461	9,296
Agent and sale commission for sale of properties	235,912	16,063
Operating lease payments in respect of buildings	16,926	4,956
Auditors' remuneration (*)	6,907	5,275
Advertising costs	31,156	25,547
Miscellaneous tax	53,335	47,632
Transportation fee	11,089	11,746
Office expenses	7,500	5,961
Exhibition fees	725	3,609
Water and electricity costs	8,784	5,978
Business entertainment expenses	4,629	7,775
Provision for other receivables	7,010	–
Provision for prepayments and other current assets	13,975	–
Provision for other non-current assets	27,019	–
Others	108,296	79,219
	<u>3,828,352</u>	<u>1,480,760</u>

* Auditors' remuneration included non-audit service fees of HK\$932 thousand in respect of services for circular issued in 2015.

6. INCOME TAX (CREDIT)/EXPENSE

An analysis of income tax is as follows:

	2015	2014
Current taxation		
– Mainland China income tax (a)	41,628	15,963
– Mainland China LAT (c)	<u>(24,742)</u>	<u>77,176</u>
	<u>16,886</u>	<u>93,139</u>
Deferred taxation		
– Mainland China income tax	(199,058)	388,293
– Mainland China LAT	(16,985)	(49,739)
– Mainland China withholding tax (d)	<u>(31,234)</u>	<u>(8,093)</u>
	<u>(247,277)</u>	<u>330,461</u>
Total tax (credit)/charge for the year	<u><u>(230,391)</u></u>	<u><u>423,600</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.

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\$74 million as at 31 December 2015 (2014: HK\$81 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 jurisdictions 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 2% to 5% (2014: 1.5% to 5%) on proceeds from the sale and pre-sale of properties. Prepaid LAT has been recorded in “prepaid income tax” with an amount of approximately HK\$112 million as at 31 December 2015 (2014: approximately HK\$160 million). The credit to the statement of profit or loss and other comprehensive income in 2015 was due to the reversal of provision upon the final assessment of LAT for certain projects.

(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 Mainland China 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 retained profits as at 31 December 2007 are exempted from withholding tax.

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,807,727 thousand (2014: 5,664,713 thousand) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

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

	2015	2014
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic and diluted loss per share calculations	<u>(2,364,415)</u>	<u>(105,954)</u>
	Number of shares	
Shares	2015 <i>(Thousand shares)</i>	2014 <i>(Thousand shares)</i>
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	<u>6,807,727</u>	<u>5,664,713</u>

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.

8. DIVIDENDS PAID AND PROPOSED

The Board of Directors has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2015 (2014:nil).

9. TRADE RECEIVABLES AND NOTES RECEIVABLE

	2015	2014
Trade receivables	79,192	57,498
Less: Provision for impairment	<u>(9,552)</u>	<u>(10,142)</u>
	<u>69,640</u>	<u>47,356</u>
Notes receivable	<u>645</u>	<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:

	2015	2014
Within 6 months	48,548	37,164
6 months to 1 year	3,202	1,632
1 to 2 years	19,108	1,019
Over 2 years	<u>8,334</u>	<u>17,683</u>
	<u>79,192</u>	<u>57,498</u>

The Group's sales of development properties and hotel 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 generally within six months.

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

Notes receivable were all bank acceptance notes with a maturity period within six months.

An aged analysis of trade receivables neither past due nor impaired and those past due but not impaired is as follows:

	2015	2014
Neither past due nor impaired	51,632	41,343
Past due but not impaired:		
Within 30 days	540	280
30 to 60 days	–	–
60 to 90 days	–	551
Over 120 days	17,468	5,182
	<u>69,640</u>	<u>47,356</u>

Receivables that were past due but not impaired are related 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 the provision for impairment of trade receivables are as follows:

	2015	2014
At beginning of year	10,142	10,177
Exchange realignment	(590)	(35)
	<u>9,552</u>	<u>10,142</u>

No provision for impairment of trade receivables (2014: nil) was reversed during the year ended 31 December 2015.

10. TRADE PAYABLES

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:

	2015	2014
Within 1 year	243,293	1,426,815
1 to 2 years	177,324	371,478
Over 2 years	393,851	337,344
	<u>814,468</u>	<u>2,135,637</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

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

	2015	2014
(Loss)/profit before tax	(2,698,202)	567,875
Adjustments for:		
Depreciation of items of property, plant and equipment	47,818	50,468
Amortisation of intangible assets	–	266
Loss/(gain) on disposal of items of property, plant and equipment, net	41,861	(43,079)
Share of profits of associates	(991)	(1,431)
Fair value loss/(gain) on investment properties	71,315	(993,326)
Write-down of properties held or under development for sale	670,017	84,367
Write-down of prepaid land lease payments	711,461	9,296
Provision for other receivables	7,010	–
Provision for prepayments and other current assets	13,975	–
Provision for other non-current assets	27,019	–
Impairment of goodwill	321,308	79,398
Gain on disposal of subsidiaries	(235,644)	(1,662)
Other reserve of an associate recognised in profit or loss	(40)	–
Finance income	(38,189)	(99,204)
Finance costs	480,210	456,753
	<hr/>	<hr/>
	(581,072)	109,721
Decrease in restricted bank deposits	29,401	7,136
Decrease/(increase) in prepaid land lease payments	763,883	(969,993)
Increase in properties held or under development for sale	(1,054,420)	(880,418)
Increase in inventories	(720)	(19,625)
Increase in prepayments and other current assets	(219,498)	(2,218,161)
(Increase)/decrease in other receivables	(252,741)	46,245
Increase in trade receivables	(26,740)	(10,890)
(Decrease)/increase in trade payables	(666,173)	250,059
Increase in other payables and accruals	1,688,825	331,781
Increase in advances received from the pre-sale of properties under development	4,764,234	367,741
	<hr/>	<hr/>
Cash flows from/(used in) operations	4,444,979	(2,986,404)
	<hr/> <hr/>	<hr/> <hr/>

RESULTS AND DIVIDEND

In 2015, the Group recorded net revenue of approximately HK\$1,763 million (2014: HK\$1,440 million), which represents an increase by approximately 22% compared with that of 2014. Loss attributable to owners of the parent in 2015 was approximately HK\$2,364 million while loss attributable to owners of the parent in 2014 was approximately HK\$106 million. The performance worsened mainly because of the impact from the third and fourth-tier cities in the Mainland, which resulted in a decline in both property sales and its gross margin, and the larger impairment losses for some properties.

The Board has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2015 (2014: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2015, cash and bank balances amounted to approximately HK\$3,050 million (2014: HK\$2,109 million). Working capital (net current assets) of the Group as at 31 December 2015 amounted to approximately HK\$5,334 million (2014: HK\$14,534 million), representing a decrease of 63% as compared with the preceding year, and the current ratio was approximately 1.24x (2014: 2.10x).

As at 31 December 2015, total liabilities to total equity increased to 3.33x (2014: 2.89x). At the end of the financial period, the Group's gearing ratio was approximately 49% (2014: 65%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance of approximately HK\$3,050 million) over total capital (total equity and net borrowings), and excludes assets classified as held for sale and liabilities directly associated with assets classified as held for sale.

BUSINESS REVIEW

In 2015, the Group's major projects available for sale were Shanghai Albany Oasis Garden, Huating Project, Oasis Central Ring Centre, Shenyang Albany Oasis Garden, Wuxi Jiangnan Rich Gate and Jiaxing Project. From January to December 2015, the Group's contracted sales amounted to approximately HK\$7.135 billion, with a total gross floor area of approximately 157,900 square meters.

Project Company	Amount of sales Contracts Signed (HK\$<i>x</i>1000)	Contractual Gross Area (<i>m</i>²)
Shanghai Albany Oasis Garden	3,939,907	49,700
Huating Project	2,056,320	20,524
Shenyang Albany Oasis Garden	719,712	63,577
Wuxi Jiangnan Rich Gate	115,138	9,542
Shanghai Oasis Central Ring Centre	113,102	2,930
Jiaxing Project	82,084	8,077
Shanghai Cedar Villa Original	45,899	1,475
SRE Financial Centre	45,314	768
Shanghai Rich Gates Seaview	12,459	988
Other Projects	5,082	294
Total	<u>7,135,017</u>	<u>157,875</u>

In 2015, the Group recorded a net turnover of approximately HK\$1.763 billion (2014: HK\$1.440 billion). Gross profit for 2015 amounted to approximately HK\$-1.357 billion (2014: HK\$0.307 billion). The loss for the year was mainly due to the provision for impairment loss of individual property was relatively high with an amount of HK\$1.381 billion.

Net turnover breakdown

Turnover	2015 (HK\$ <i>x</i> 1000)	2014 (HK\$ <i>x</i> 1000)
Revenue from sale of properties	1,265,443	1,021,621
Revenue from hotel operations	210,495	194,757
Revenue from property leasing	118,875	115,685
Revenue from property management	175,921	172,205
Revenue from construction of infrastructure for an intelligent network	9,148	21,914
Other revenue	87,999	15,486
Less: Business tax and surcharges	(105,366)	(101,712)
Total revenue	<u>1,762,515</u>	<u>1,439,956</u>

DEVELOPMENT PROJECTS

Our development projects mainly included Shanghai Albany Oasis Garden and Huating Project in Shanghai; Shenyang Albany Oasis Garden and Yosemite Oasis Community in Liaoning.

Relocation for Land of Development Projects

Shanghai Albany Oasis Garden

As at the end of December 2015, all relocation had been completed for Phase I to Phase III. The relocation of all households of Phase IV has not yet started while 2 enterprises had been relocated. 5.41% of the enterprise relocation had been completed; with 423 households and 17 enterprises relocated to the parcel with communal and supporting facilities, household relocation was 76.77% completed and enterprise relocation was 94.44% completed.

Rich Gate I (Qinhai Oasis Garden)

As at the end of December 2015, with 848 households and 16 enterprise relocated, households relocation for Rich Gate I project was 45.59% completed and enterprises relocation for Rich Gate I project was 26.67% 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 at the end of December 2015, with 1,401 households (area: 90,903 m²) and 14 enterprises (area: 3,493 m²) relocated, relocation was 84.87% completed, which lay a foundation for the development of Phase III.

Construction Work

Shanghai Albany Oasis Garden

As of the end of 2015, the structures of Phase III of Shanghai Albany Oasis Garden block 1 to block 9 were topped out. The construction of building exterior had been completed, while the structural construction of Phase II and interior decoration were in progress. It is expected that construction will be completed by the second half of the year 2016.

Huating Project

As of December 2015, the plastering of interior and exterior walls and installation of aluminum alloy doors and windows of block 1 to block 5 and block 7 of Huating Project were completed, while interior decoration was in process. It is expected that construction works will be completed by June 2016.

Shenyang Yosemite Oasis Community

The East Parcel of Shenyang Yosemite Oasis Community consists of 502 houses. For the 200 houses located at Jinling Section, construction was completed and titles have been transferred to buyers in June 2015. For the 302 units located at Shuangxing Section, the main structures have been topped out, the construction of ancillary facilities was 85% completed. It is expected that these houses will be completed with the sold units ready for handover to buyers in 2016.

Shenyang Albany Oasis Garden

Shenyang Albany Oasis Garden Phase II includes Sections A and B. As of December 2015, block 1, block 2 and blocks 4 to 6 of Section A were completed and put into use, and the construction and installment works of block 3 were 85% completed. The masonry and surface works of block 7 and block 9 of Section B were completed and the main structures of block 8 were 50% completed. It is expected that construction of block 5 of Section A of Phase II will be completed in 2016, and construction of Section B of Phase II will be completed between 2017 to 2018.

COMMERCIAL PROPERTIES

The Group has five major commercial real estate projects: four in Shanghai and one in Shenyang. 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	309 rooms
SRE Financial Centre	Huangpu District, Shanghai	Approx. 27,300 m ²
Oasis Central Ring Centre	Putuo District, Shanghai	96,146 m ²
Shanghai Shuocheng Supermarket	Zhabei District, Shanghai	Approx. 24,000 m ²
Shenyang Rich Gate Shopping Mall	Financial Golden Corridor, Shenyang	245,252 m ²

Major Transactions

1. On 9 October 2015, the Company, the Subscribers (including China Minsheng Jiaye Investment Co., Ltd. (“China Minsheng Jiaye”) and the Investors) and SRE Investment Holding Limited entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 14,900,000,000 Subscription Shares at the Subscription Price of HK\$0.10 per Subscription Share for a total cash consideration of HK\$1,490,000,000.
2. On 30 October 2015, after trading hours, Sinopower Investment Limited (華通投資有限公司, the Vendor) and Mainlandcn Ten Company Limited (the Purchaser) entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed conditionally to sell and the Purchaser agreed conditionally to acquire the Sale Shares and the Sale Loan at a total consideration of RMB547,872,000 (equivalent to approximately HK\$668,403,800).

The Group’s Awards

1. Shanghai Albany Oasis Garden Project was awarded the Golden Prize of the 9th “Residential Property of Excellence in Shanghai”.
2. Shanghai Shuo Cheng Real Estate Limited was named as “Five-star Trustworthy Enterprise” of Shanghai city.
3. Shanghai Real Estate Property Co., Ltd. (上海上置物業集團有限公司) was named as “2015 China Top 100 Enterprises in Property Services” and was awarded the prize for outstanding enterprises of the Association of Shanghai Property Management.
4. The SRE Newspaper was awarded the Silver Prize of the Enterprise Newspapers of Excellence in 2015 in the property management industry in Shanghai city.
5. Skyway Pullman Hotel was awarded the “Second Place in the Most Popular and Valuable Prize” issued by the Accor Hotels Group.
6. Block B9 of Phase II of Shenyang Albany Oasis Garden was named a Project of Quality Structure in Liaoning Province. Block B7, the basement, Block 3 of Phase II and works for Carrefour (家樂福) were named Projects of Quality Structure in Shenyang City.

7. SRE Hainan branch was named an Enterprise of Excellence in Property Services in Hainan Province. Shenyang Albany Oasis Garden and Shenyang Yosemite Oasis Community of SRE Shenyang branch were named Five-star Communities of Excellence. SRE Shanghai Daning Ruishi Garden (上海大寧瑞仕花園) was awarded Five-star Communities with Property Services in 2015. SRE Central Ring Center was awarded Property Management Building of Excellence in Shanghai. SRE Shanghai Oasis Jiangnan Garden (上海綠洲江南園) was named a field demonstration and communication project in the property management industry in Shanghai and awarded Residential Community of Excellence in Shanghai.

Business Outlook

The general global economic growth was below expectation in 2015. The growth of developed economies continues to recover, but the momentum slowed down. The growth of emerging markets and developing economies further declined. The global economic growth rate decreased compared with 2014. Meanwhile, China's economic operation encountered various expected and unexpected challenges with increasing pressure on economic downturn.

China's policies on the real estate industry followed the keynote of promoting consumption and de-stocking in 2015. Various easing policies on the supply and demand facilitated the steady recovery in the quantity and price in the market. The policy environment for the operation of the industry improved significantly. According to the Statistical Communique on the 2015 National Economic and Social Development published by the China National Statistics Bureau, total investment in real estate development in 2015 amounted to RMB9.5979 trillion, an increase of 1.0% over the previous year, of which, investment in residential buildings accounted for RMB6.4595 trillion, an increase of 0.4%; investment in office buildings accounted for RMB621 billion, an increase of 10.1%; investment in commercial properties accounted for RMB1.4607 trillion, an increase of 1.8%.

As the sales and inventory of the real estate hit a historical high and the demand growth impetus is insufficient, the real estate industry will enter a stage with relatively steady development. More and more real estate developers are actively conducting beneficial exploration in the whole value chain in the real estate industry from the perspectives of improving the efficiency and benefit and reforming the models in order to deal with the changes in the industry and market and seek their own ways of survival and development.

Facing various challenges, the Group made significant decisions in 2015 and introduced China Minsheng Jiaye as a strategic investor. Leading by the new strategy of building a comprehensive property financial group, it conducted the overall restructuring on the Group to improve the financial and operation capacity to seek new development opportunities. We are prepared for results recovery through unremitting efforts and believe that we can provide shareholders with higher returns in the medium and long term.

Seize Opportunities and Transform Development

With the adjustments on the policies on the supply and demand in the real estate industry, we believe that the real estate industry will continue to boom. In 2016, we will take advantage of the favorable opportunities in the booming real estate market in Shanghai and speed up the sale of the Huating Project's property in Shanghai and the handover to buyers to satisfy our customers. With the reinitiating of the relocation of the Daxingjie project in Shanghai, the areas of properties ready for sale of the Group in the core areas of Shanghai will increase significantly in the following five years. At the same time, the Group will screen and inspect the projects in Shenyang, Dalian, Wuxi and Jiaying and speed up in de-stocking. For industries with less correlation with new strategies, the Group will resolutely handle them to focus on the transformation and upgrading.

The real estate industry is under profound reform. With the support of the substantial shareholder, the Group will try to enter into some emerging industries such as medical treatment and health and aged care. It will spend more efforts on obtaining resources in the above industries in the following five years. It will seek core resources and talent teams through acquisition, transformation or self-establishment as well as other methods.

Adjust Structures to Improve Returns

Under the new management structure and with the reform in the corporate culture, we are prepared for higher profits in the following two to three years. We believe that the new management structure of the Group will facilitate its efficient operation and boost the profitability of the Group. Based on the management plan, we have cancelled the previous "business divisions" and established eight functional departments under the headquarters. The functional department will directly manage and serve each project company and emerging projects will be sorted and incubated at the headquarters level. New investment themes need a new management structure and we are confident that the Group will achieve better returns in the following years.

Stick to Sustainable Development

In order to ensure that the Group owns a strong leadership and a professional management team, we have been laying a solid foundation for the growth of the SRE Group and introducing young talents with innovative concepts. We have been attaching importance to the fostering of young management and expect them to hold key important management positions in the future with an aim to achieve the sustainable growth and expansion of the businesses of the Group. Such efforts are showing results gradually and the new senior management team is in place. The management will make unremitting efforts to lead the Group in advancing forward.

Acknowledgement

I would like to take this opportunity to express my thanks to new and old staff for their supports to the reform the management structure and my gratitude to the colleagues in the Board and the management team. We will face various challenges in the new year, but we believe that under the leadership of the strategies and with the unremitting efforts of all staff, the SRE Group will surely enjoy a more bright future.

ISSUE OF NEW SHARES

Pursuant to the subscription agreement dated 9 October 2015, a total of 14,900,000,000 subscription shares of the Company were allotted and issued to the subscribers on 4 December 2015. For details, please refer to the circular of the Company dated 16 November 2015 and the announcement of the Company dated 4 December 2015.

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 year ended 31 December 2015.

EMPLOYEE

As at 31 December 2015, the Group had retained 2,144 (2014: 2,153) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to approximately HK\$175 million (2014: HK\$171 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 PRACTICES

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2015, 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 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.2.1

Pursuant to code provision A.2.1, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. During the financial year, the roles of the Chief Executive Officer and Co-chairman were performed by Mr. Wang Zi Xiong during the period from 17 July 2015 to 4 December 2015. As disclosed in the Company's announcement dated 9 June 2015, Mr. Shi Jian, the then executive Director and Chairman of the Company was required to stay under custody at a designated residence by Changzhou City People's Procuratorate of the People's Republic of China. Mr. Wang Zi Xiong was re-designated as the Co-chairman of the Board during the interim. The Board

considers that the balance of power and authority of the Board would not be impaired even the roles of the Co-chairman and the Chief Executive Officer were performed by the same individual. In addition, the Board considers that vesting both of the roles of Co-chairman and Chief Executive Officer with Mr. Wang is beneficial to the business prospects and management of the Group in the circumstances.

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, an Independent Non-executive Director, did not attend the annual general meeting of the Company 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 then Chairman and the chairman of the Nomination Committee of the Company, did not attend the annual general meeting of the Company for the year 2015 due to other business engagements. The Vice-Chairman of the Company and the Chief Executive Officer of the Group, other directors of the Company, the Chief Financial Officer of the Group, the company secretary of the Company and the auditors of the Company had attended the meeting to answer questions at the meeting.

OTHER INFORMATION

Pursuant to rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only. Mr. Wang Zi Xiong, an executive Director was appointed as a member of the Audit Committee of the Company on 4 December 2015 due to unintended administration arrangement and ceased to be a member of there of the Audit Committee of the Company on 31 March 2016 with a view to fulfilling the requirements of the Listing Rules.

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 Listing Rules. Specific enquiry has been made of all Directors and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2015.

APPRECIATION

It is my privilege to express my gratitude to our strategic investors and shareholders for their unstinting trust and support and also to offer my heartfelt thanks to all Directors, executives and staff members at all group companies for their team spirits and loyalty throughout the past difficult 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 (<http://www.equitynet.com.hk/sre>) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2015 containing all the information required by 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, 31 March 2016

As at the date of this announcement, the Board comprises seven executive directors, namely Mr. He Binwu, Mr. Wang Zi Xiong, Mr. Peng Xinkuang, Mr. Shi Janson Bing, Mr. Chen Chao, Mr. Zhu Qiang and Mr. Zhao Xiaodong; and four independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Guoping and Mr. Ma Lishan.

* *For identification purpose only*