SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

2016 ANNUAL RESULTS ANNOUNCEMENT

The board (the "Board") of directors (the "Directors") of SRE Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**2016**	2015 (Restated) *Note 2(a)* *Note 3*
Continuing operations			
Revenue	*4*	**3,363,771**	1,257,885
Cost of sales	*5*	**(2,766,689)**	(2,404,128)
Gross profit/(loss)		**597,082**	(1,146,243)
Gains from disposal of subsidiaries – net		**11,903**	193,633
Other losses – net		**(127,232)**	(343,713)
Selling and marketing expenses	*5*	**(73,053)**	(271,168)
Administrative expenses	*5*	**(334,505)**	(260,141)
Operating profit/(loss)		**74,195**	(1,827,632)
Finance income		**27,892**	30,589
Finance costs		**(414,781)**	(275,633)
Finance costs – net		**(386,889)**	(245,044)
Share of results of associates		**465,549**	798
Share of results of joint ventures		**(1,464)**	–
Profit/(loss) before tax		**151,391**	(2,071,878)
Income tax (expense)/credit	*6*	**(287,595)**	185,465
Loss for the year from continuing operations		**(136,204)**	(1,886,413)
Discontinued operation			
Gain from disposal of discontinued operation		**495,569**	–
Loss from discontinued operation for the year		**(16,337)**	(96,233)
Profit/(loss) for the year from discontinued operation		**479,232**	(96,233)
Profit/(loss) for the year		**343,028**	(1,982,646)

	Notes	2016	2015 (Restated) *Note 2(a)* *Note 3*
Other comprehensive income/(losses), net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**(3,629)**	–
TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE YEAR		**339,399**	(1,982,646)
Profit/(loss) attributable to:			
Owners of the Company		**231,760**	(1,899,412)
Non-controlling interests		**111,268**	(83,234)
		343,028	(1,982,646)
Profit/(loss) attributable to owners of the Company from:			
Continuing operations		**(254,660)**	(1,845,522)
Discontinued operation		**486,420**	(53,890)
		231,760	(1,899,412)
Total comprehensive income attributable to:			
Owners of the Company		**228,131**	(1,899,412)
Non-controlling interests		**111,268**	(83,234)
		339,399	(1,982,646)
Total comprehensive income attributable to owners of the Company from:			
Continuing operations		**(258,289)**	(1,845,522)
Discontinued operation		**486,420**	(53,890)
		228,131	(1,899,412)

	Notes	**2016**	2015 (Restated) *Note 2(a)* *Note 3*
Earnings/(loss) per share from continuing operations and discontinued operation attributable to owners of the Company	*7*		
– Basic			
From continuing operations		**RMB (0.01)**	RMB(0.27)
From discontinued operation		**RMB 0.02**	RMB(0.01)
		RMB 0.01	RMB(0.28)
– Diluted			
From continuing operations		**RMB (0.01)**	RMB(0.27)
From discontinued operation		**RMB 0.02**	RMB(0.01)
		RMB 0.01	RMB(0.28)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	31 December **2016**	2015 (Restated) *Note 2(a)*	2014 (Restated) *Note 2(a)*
ASSETS				
Non-current assets				
Property, plant and equipment		**762,600**	392,786	1,319,376
Investment properties		**5,270,895**	4,796,996	5,292,975
Prepaid land lease payments		**208,759**	42,596	104,942
Goodwill		**16,271**	190,491	449,143
Investments in associates		**962,655**	46,137	45,372
Investments in joint ventures		**1,281,119**	–	–
Deferred tax assets		**242,837**	259,956	311,088
Non-current prepayments		**–**	–	5,000
Available-for-sale investments		**380,806**	10,000	10,000
Other non-current assets		**71,519**	–	27,000
		9,197,461	5,738,962	7,564,896
Current assets				
Prepaid land lease payments		**2,632,148**	3,935,806	9,619,211
Properties held or under development for sale		**3,197,085**	4,350,359	7,390,140
Inventories		**620**	14,791	14,211
Prepayments and other current assets		**373,513**	2,197,651	2,660,660
Other receivables		**1,678,141**	302,426	306,976
Trade receivables	*9*	**24,863**	58,345	37,358
Notes receivable	*9*	**–**	540	–
Prepaid income tax		**96,623**	155,927	189,938
Available-for-sale investments		**262,000**	1,500	–
Loans and receivables		**165,000**	214,400	–
Cash and bank balances		**1,512,857**	2,555,089	1,663,788
		9,942,850	13,786,834	21,882,282
Assets classified as held for sale		**3,570,569**	9,629,653	–
		13,513,419	23,416,487	21,882,282
Total assets		**22,710,880**	29,155,449	29,447,178

	Notes	31 December **2016**	2015 (Restated) *Note 2(a)*	2014 (Restated) *Note 2(a)*
EQUITY AND LIABILITIES				
Equity				
Issued share capital and share premium		**6,747,788**	6,747,788	5,574,532
Other reserves		**212,830**	148,076	147,404
(Accumulated losses)/retained profits		**(286,239)**	(492,969)	1,407,148
Equity attributable to owners of the Company		**6,674,379**	6,402,895	7,129,084
Non-controlling interests		**377,682**	332,742	447,152
Total equity		**7,052,061**	6,735,637	7,576,236
LIABILITIES				
Non-current liabilities				
Interest-bearing bank and other borrowings		**2,847,984**	2,091,610	9,754,751
Deferred tax liabilities		**1,260,879**	1,380,405	1,699,962
		4,108,863	3,472,015	11,454,713
Current liabilities				
Interest-bearing bank and other borrowings		**3,917,484**	7,056,113	5,703,092
Advances received from the pre-sale of properties under development		**1,141,086**	1,978,347	1,216,685
Trade payables	*10*	**792,301**	682,361	1,684,804
Other payables and accruals		**4,409,776**	801,291	569,207
Current income tax liabilities		**1,116,805**	1,031,665	1,242,441
		11,337,452	11,549,777	10,416,229
Liabilities directly associated with the assets classified as held for sale		**172,504**	7,398,020	–
		11,549,956	18,947,797	10,416,229
Total liabilities		**15,658,819**	22,419,812	21,870,942
Total equity and liabilities		**22,710,880**	29,155,449	29,447,178

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

1. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the consolidated financial statements of SRE Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 but are extracted from those financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, except for investment properties and available-for-sale investments 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. The consolidated financial statements are presented in thousands of Renminbi ("RMB") unless otherwise stated.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Going concern

In preparing the consolidated 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 consolidated financial statements have been prepared under the going concern basis as the Company's parent company, China Minsheng Jiaye Investment Co., Ltd. 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

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 Company and to the non-controlling interests, 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 prepaid land lease payments for property development for sale and prepaid taxes) 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

(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 for 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. The comparative figures in the consolidated financial statements were then translated from HK$ to RMB using the applicable closing rates for assets and liabilities in the consolidated statement of financial position and applicable average rates that approximated to actual rates for items in the consolidated statement of profit and loss and other comprehensive income. Issued share capital and share premium, other reserves and accumulated losses/retained earnings were translated at the exchange rate at the date when the respective amounts were determined (i.e. historical exchange rates).

(b) New standard, amendments and improvements of HKFRSs adopted by the Group in 2016

The following new standard, amendments and improvements have been adopted by the Group for the first time for the financial year beginning on 1 January 2016 and are relevant to the Group's operations:

HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKFRS 11	*Accounting for acquisitions of interests in joint operations*
Amendments to HKAS 16 and HKAS 38	*Clarification of acceptable methods of depreciation and amortisation*
Amendment to HKAS 27	*Equity method in separate financial statements*
Annual improvements 2012-2014 cycle	*Affecting the following 4 standards:* HKFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations",* HKFRS 7 *"Financial Instruments: Disclosures",* HKAS 19 *"Employee Benefits"* *and* HKAS 34 *"Interim Financial Reporting"*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment entities: applying the consolidation exception*
Amendments to HKAS 1	*Disclosure initiative*

The adoption of the above new standard, amendments and improvements of HKFRSs did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2016.

3. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The Board has determined the operating segments based on the Group's products and services. 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.

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. The Board considers that the remaining hotel operation after the disposal was no longer material to constitute a separate reportable segment in 2016. In the future, hotel operation will no longer be a business objective of the Group. The comparatives have been restated by separately disclosing Skyway under discontinued operation. The new reportable operating segments 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.

An analysis by operating segment is as follows:

	2016					
	Continuing operations				**Discontinued operation**	
	Property development	**Property leasing**	**Other operations**	**Subtotal**	**Skyway**	**Total**
Segment revenue						
Sales to external customers	**3,001,624**	**80,847**	**281,300**	**3,363,771**	**38,760**	**3,402,531**
Intersegment sales	**–**	**–**	**32,116**	**32,116**	**–**	**32,116**
	3,001,624	**80,847**	**313,416**	**3,395,887**	**38,760**	**3,434,647**
Reconciliation:						
Elimination of intersegment sales				**(32,116)**	**–**	**(32,116)**
Revenue				**3,363,771**	**38,760**	**3,402,531**
Segment (loss)/profit	**(46,608)**	**33,606**	**87,197**	**74,195**	**550,246**	**624,441**
Finance income				**27,892**	**–**	
Finance costs				**(414,781)**	**(17,904)**	
Finance costs – net				**(386,889)**	**(17,904)**	
Share of results of associates				**465,549**	**–**	
Share of results of joint ventures				**(1,464)**	**–**	
Profit before tax				**151,391**	**532,342**	

	2016					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Segment assets and liabilities						
Segment assets	**11,133,274**	**5,498,330**	**3,835,502**	**20,467,106**	**–**	**20,467,106**
Investments in associates						**962,655**
Investments in joint ventures						**1,281,119**
Total assets						**22,710,880**
Segment liabilities	**3,771,484**	**4,184,257**	**7,703,078**	**15,658,819**	**–**	**15,658,819**
Total liabilities	**3,771,484**	**4,184,257**	**7,703,078**	**15,658,819**	**–**	**15,658,819**
Other segment information:						
Depreciation and amortisation	2,000	106	1,618	3,724	8,769	
Capital expenditure*	56	1,635	730	2,421	–	
Fair value losses on investment properties, net	–	(17,361)	–	(17,361)	–	
Impairment of goodwill	98,354	–	–	98,354	–	
Reversal of impairment of properties held or under development for sale	(188,284)	–	–	(188,284)	–	
Reversal of impairment of prepaid land lease payments	(67,454)	–	–	(67,454)	–	
Provision for impairment of trade receivables	–	–	18,803	18,803	–	
Provision for impairment of loans and receivables	26,200	–	–	26,200	–	
Provision for impairment of other receivables	506	–	42,843	43,349	–	

* Capital expenditure consists of additions of property, plant and equipment (RMB869 thousand) and adjustment of investment properties (RMB1,552 thousand).

	2015 (Restated)					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Segment revenue						
Sales to external customers	960,771	88,507	208,607	1,257,885	160,940	1,418,825
Intersegment sales	–	–	38,346	38,346	–	38,346
	960,771	88,507	246,953	1,296,231	160,940	1,457,171
Reconciliation:						
Elimination of intersegment sales				(38,346)	–	(38,346)
Revenue				1,257,885	160,940	1,418,825
Segment (loss)/profit	(1,675,748)	(57,717)	(94,167)	(1,827,632)	14,550	(1,813,082)
Finance income				30,589	153	
Finance costs				(275,633)	(110,936)	
Finance costs – net				(245,044)	(110,783)	
Share of profits of associates				798	–	
Loss before tax				(2,071,878)	(96,233)	
Segment assets and liabilities						
Segment assets	20,522,204	5,170,293	1,946,746	27,639,243	1,470,069	29,109,312
Investments in associates						46,137
Total assets						29,155,449
Segment liabilities	17,652,837	2,388,314	1,758,479	21,799,630	620,182	22,419,812
Total liabilities	17,652,837	2,388,314	1,758,479	21,799,630	620,182	22,419,812

	2015 (Restated)					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Other segment information:						
Depreciation and amortisation	5,119	203	1,153	6,475	35,541	
Capital expenditure*	13,526	(14,641)	2,943	1,828	10,436	
Fair value losses on investment properties, net	–	57,408	–	57,408	–	
Impairment of goodwill	258,653	–	–	258,653	–	
Write-down of properties held or under development for sale	539,364	–	–	539,364	–	
Write-down of prepaid land lease payments	572,726	–	–	572,726	–	
Provision for impairment of prepayments and other current assets	–	–	11,250	11,250	–	
Provision for impairment of other non-current assets	–	–	21,750	21,750	–	
Provision for impairment of other receivables	1,643	–	4,000	5,643	–	

* Capital expenditure consists of additions of property, plant and equipment (RMB24,317 thousand), adjustment of investment properties (-RMB14,665 thousand) and prepaid land lease payments (RMB2,612 thousand).

Geographical information

(a) As of 31 December 2016, 99.5% (2015: 100%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2016, more than 88% (2015: 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 2016 and 2015.

4. REVENUE

An analysis of revenue is as follows:

	2016	2015 (Restated)
Sale of development properties	**3,253,664**	1,018,681
Revenue from property leasing	**77,220**	95,694
Property management revenue	**97,390**	141,616
Revenue from construction of infrastructure for an intelligent network	**27,947**	7,364
Other revenue	**29,281**	70,842
	3,485,502	1,334,197
Less: Tax and surcharges (a)	**(121,731)**	(76,312)
Total revenue	**3,363,771**	1,257,885

(a) Tax and surcharges

Prior to 1 May 2016, 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.

Effective from 1 May 2016, the Company's revenue is subject to value-added tax as follows:

- Sale and lease of properties is subject to value-added tax ("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 value-added tax at 6%.

- Revenue from construction of infrastructure for an intelligent network is subject to value-added tax 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 value-added tax.

5. EXPENSES BY NATURE

An analysis of expenses by nature is as follows:

	2016	2015 (Restated)
Cost of inventories sold (excluding depreciation, (reversal)/write-down of properties held or under development for sale and prepaid land lease payments)	**3,022,122**	1,291,679
Depreciation of items of property, plant and equipment	**3,687**	4,446
Employee benefit expense (including directors' and chief executive officer's emoluments):		
– Wages and salaries	**88,847**	108,357
– Other social welfare	**16,143**	18,284
– Share-based payment	**43,353**	–
	148,343	126,641
(Reversal of impairment)/write-down of properties held or under development for sale	**(188,284)**	539,364
(Reversal of impairment)/write-down of prepaid land lease payments	**(67,454)**	572,726
Professional service fees	**34,146**	4,757
Agent and sale commission for sale of properties	**32,486**	175,682
Operating lease payments in respect of buildings	**4,515**	12,605
Auditors' remuneration (*)		
– Audit sevice	**4,500**	4,810
– Non-audit services	**–**	750
Advertising costs	**19,650**	23,201
Miscellaneous tax	**23,561**	39,719
Transportation fee	**7,452**	8,257
Office expenses	**10,895**	5,585
Water and electricity costs	**4,475**	6,541
Business entertainment expenses	**–**	3,447
Provision for other receivables	**43,349**	5,643
Provision for trade receivables	**18,803**	–
Provision for loans and receivables	**26,200**	–
Provision for prepayments and other current assets	**–**	11,250
Provision for other non-current assets	**–**	21,750
Others	**25,801**	76,584
	3,174,247	2,935,437

* Auditors' remuneration for 2015 included non-audit service fees of RMB 750 thousand in respect of services for circulars issued in 2015.

6. INCOME TAX EXPENSE/(CREDIT)

An analysis of income tax is as follows:

	2016	2015 (Restated)
Current taxation		
– Mainland China income tax (a)	**117,500**	33,510
– Mainland China LAT (c)	**130,472**	(19,917)
	247,972	13,593
Deferred taxation		
– Mainland China income tax	**44,849**	(160,242)
– Mainland China LAT	**(3,047)**	(13,673)
– Mainland China withholding tax (d)	**(2,179)**	(25,143)
	39,623	(199,058)
Total tax charge/(credit) for the year	**287,595**	(185,465)

(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 RMB33 million as at 31 December 2016 (2015: RMB62 million).

(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 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% (2015: 2% 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 RMB63 million as at 31 December 2016 (2015: approximately RMB94 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 and on gain from disposal of equity interests to non-tax resident enterprises. 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. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic

Basic earnings per share is calculated by dividing the profit/(loss) attributable to owners of the company by the weighted average number of ordinary shares in issue during the year.

	2016	2015 (Restated)
Loss from continuing operations attributable to owners of the Company	**(254,660)**	(1,845,522)
Profit/(loss) from discontinued operation attributable to owners of the Company	**486,420**	(53,890)
	231,760	(1,899,412)
Weighted average number of ordinary shares in issue (thousands)	**20,564,713**	6,807,727

(b) Diluted

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 in 2015 but the share options issued in 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 annual market shares 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 year ended 31 December 2016, as the average annual 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, the impact of exercise of the share options on earnings/(loss) per share is anti-dilutive.

For the year ended 31 December 2015, diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share since the Company did not have dilutive shares.

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 2016 (2015: nil).

9. TRADE RECEIVABLES AND NOTES RECEIVABLE

	2016	2015 (Restated)
Trade receivables	**51,668**	66,347
Less: Provision for impairment	**(26,805)**	(8,002)
	24,863	58,345
Notes receivable	–	540

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

	2016	2015 (Restated)
Within 6 months	**18,697**	40,673
6 months to 1 year	**4,388**	2,683
1 to 2 years	**20,113**	16,009
Over 2 years	**8,470**	6,982
	51,668	66,347

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 as at 31 December 2015 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:

	2016	2015 (Restated)
Neither past due nor impaired	**17,897**	43,258
Past due but not impaired:		
Within 30 days	**–**	452
30 to 60 days	**2,391**	–
60 to 90 days	**–**	–
Over 120 days	**4,575**	14,635
	24,863	58,345

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:

	2016	2015 (Restated)
At beginning of year	**8,002**	8,002
Additions	**18,803**	–
At end of year	**26,805**	8,002

No provision for impairment of trade receivables (2015: nil) was reversed during the year ended 31 December 2016.

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:

	2016	2015 (Restated)
Within 1 year	**391,277**	203,831
1 to 2 years	**107,741**	148,562
Over 2 years	**293,283**	329,968
	792,301	682,361

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.

BUSINESS REVIEW

In 2016, the macro-economy recovered from the bottom; the policy of reducing property inventory continued to gain traction, the transactions in real estate recovered steadily; while the first tier cities were leading in transaction volume and price, home prices in second-tier and third-tier cities were stabilized with increased sales volume. The Group strengthened its sales efforts for its projects under construction and achieved a steady growth in contract sales; and made efforts to improve operation for investment properties including Oasis Central Ring Centre and Shenyang Rich Gate with results started stabilizing; while improving the results in sales properties and investment properties, the Group timely optimized its development strategy by making an early move to capitalize on some of its assets where were selling at a high price to secure its income and cash flow. At the same time, the Group made excellent achievement in expanding its investment in the year with a total investment of approximately RMB4 billion for establishing its business presence overseas in London and Sydney. The Group's operation now covers multiple lines including primary development, commercial, office and residential properties and it puts into practice a light assets and fund-type business model.

In 2016, the Group's major projects available for sale were Shanghai Albany Oasis Garden, Shenyang Albany Oasis Garden, Shanghai Huating Project, Shanghai Oasis Central Ring Centre, Chengdu Albany Oasis Garden and Jiaxing Project. In 2016, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB7.640 billion, with a total gross floor area of approximately 213,704 square meters.

Project Company	**Amount of Sales Contracts Signed** *(RMB'000)*	**Contractual Gross Area** *(m^2)*
Shanghai Albany Oasis Garden	5,473,400	70,909
Shenyang Albany Oasis Garden	627,578	69,198
Shanghai Huating Project	621,883	6,405
Shanghai Oasis Central Ring Centre	237,671	5,196
Chengdu Albany Oasis Garden	194,635	33,050
Jiaxing Project	123,386	14,736
Wuxi Jiangnan Rich Gate	76,460	7,043
Other Projects	285,333	7,167
Total	7,640,346	213,704

In 2016, the Group recorded a net turnover of approximately RMB3.364 billion (2015: RMB1.258 billion). Gross profit for 2016 amounted to approximately RMB597 million (2015: RMB-1.146 billion). The turnaround in profit in the year was mainly due to the continuous improvement in the Group's overall operating efficiency and a decrease in finance costs.

Net revenue breakdown:

Revenue	2016 (RMB'000)	2015 (RMB'000)
Revenue from sale of properties	**3,253,664**	1,018,681
Revenue from property leasing	**77,220**	95,694
Revenue from property management	**97,390**	141,616
Revenue from construction of infrastructure for an intelligent network	**27,947**	7,364
Other revenue	**29,281**	70,842
Less: Tax and surcharges	**(121,731)**	(76,312)
Total revenue	**3,363,771**	1,257,885

DEVELOPMENT PROJECTS

Our development projects mainly included Shanghai Huating Project, Shanghai Rich Gate I, Shenyang Albany Oasis Garden and Chengdu Albany Oasis Garden, etc.

Progress of Relocation

Shanghai Rich Gate I (Qinhai Oasis Garden)

As at the end of June 2016, 891 households and enterprises with total area of 7,000 m^2 were relocated for Shanghai Rich Gate I; 1,003 households were to be relocated. As at 28 April 2016, the consent rate for the first round of consultation on house expropriation was 94.45%. The Huangpu Building Expropriation Office announced on 2 December 2016 that as at 24 November, the signing percentage of expropriation compensation agreement for residential housing (conditional) of this land lot was over 85%; the building expropriation compensation agreement for the old town area redevelopment project of the land lot at 717-719 Daxing Street, Huangpu District became effective.

Shenyang Albany Oasis Garden

As at the end of December 2016, Shenyang Albany Oasis Garden had signed relocation contracts with 1,400 households and 24 enterprises and schools, with negotiations for 64 households and 1 enterprise still in progress. The relocation was about 96% completed for households and 96% completed for enterprises and schools.

Progress of Construction

Shanghai Huating Project

Blocks 1 to 7 of Shanghai Huating Project had been completed and delivery began in July.

Chengdu Albany Oasis Garden

Blocks 9, 10, 13 and 14 of Phase II of Chengdu Albany Oasis Garden had been completed and taken delivery.

Shenyang Albany Oasis Garden

The total gross floor area of Phase II is 264,246 m^2, and is divided into Section A and Section B. As at the end of 2016, Section A of Phase II was completed and delivered to owners; Blocks 7 and 9 in Section B of Phase II were about 95% completed, and Block 8 was about 70% completed.

Land Bank

As at 31 December 2016, the Group owned a land bank with a total gross floor area of approximately 2.82 million m^2 in Shanghai, Shenyang, Chengdu, Dalian, Changsha, the UK, etc. The Company focuses on first-tier cities and cities with development potential and commits to discover assets with value underestimated or enhancement potential. In addition, the Group is actively developing property projects in core cities overseas. Recently, the Group invested in a high-end residential project in the city center of San Francisco, US with a site area of approximately 1,913 m^2, planned total gross floor area of approximately 31,146 m^2 and saleable area of approximately 21,446 m^2 in around 20 storeys. The project is planned to have 120 high class apartments targeting high net-worth individuals. Currently, the project plan has been approved.

COMMERCIAL PROPERTY OPERATION

During 2016, 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.

Oasis Central Ring Centre

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

During 2016, Oasis Central Ring Centre had made tremendous efforts in attracting tenants. Currently, commercial and office spaces of 38,000 m^2, and an underground parking garage of 57,000 m^2 are for lease. As at 31 December 2016, the occupancy rate of Oasis Central Ring Centre reached 89% with a total rental income of RMB48.21 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 of 31 December 2016, a total area of 69,857 m^2 were leased, accounting for 62% of the total rentable area, with rental income RMB17.28 million and operating revenue totalled RMB32.96 million.

41 Tower Hill Project in 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 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 7 years.

NEW BUSINESS

Darun Yunshang Project

In March 2016, a contract was signed by the Group for Darun Yunshang project to enter into real estate related internet and financial sector. The Group 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. Currently, the factoring company is handling low-risk credit business of RMB100 million, and the operation preparation work is basically completed with operation work progressing.

Yunnan Mingzhen Hospital Project

In March 2016, a contract was signed for Yunnan Mingzhen Hospital project, mainly operating Kunming Jianxing Tumour Hospital, and the Group holds 45% equity interest in the project. Currently, the capital increase was completed and the project has been put into normal operation.

MAJOR TRANSACTIONS

1. On 18 March 2016, All Pride Investments Limited (as the seller), an indirect subsidiary of the Company, entered into an equity transfer agreement with Great Wall Guofu Real Estate Co., Ltd. (as the purchaser), in relation to the disposal of 56% equity interest in Shanghai Skyway Hotel Co., Ltd. for a consideration of RMB643,104,000. Further details were set out in the announcement of the Company dated 18 March 2016. The transaction was completed in April 2016.

2. On 20 April 2016, the Company (as the purchaser) entered into an acquisition master agreement with China New Town Development Company Limited (as the seller) and SRE Investment Holding Limited in relation to the acquisition of 100% equity interest in each of Chengdu Shanghai Real Estate Co., Ltd. and Shanghai Lake Malaren Hospital Investment Co., Ltd. and 72.63% equity interest in each of Shanghai Lake Malaren Commercial Management Co., Ltd., Shanghai Lake Malaren Corporate Development Co., Ltd. and Shanghai Lake Malaren Real Estate Development Co., Ltd. and certain rights and obligations relating to the lease of Lake Malaren Golf Course, and repayment of the loans payable by the above companies to China New Town Development Company Limited and/or its subsidiaries for a total consideration of RMB1,315,198,723. Further details were set out in the announcement of the Company dated 20 April 2016.

3. On 2 September 2016, Cmsreuk Tower Hill Propco Limited (a wholly-owned subsidiary of the Company)(as the purchaser) entered into a sale and purchase agreement with Société Générale and SG Hambros Bank Limited (as the sellers) in relation to the acquisition of a 1.7 acre property site (located in an established commercial district in Tower Hill of London bounded by Minories to the west, Shorter Street to the south and Mansell Street to the east) with freehold interest and the leasehold interest in a strip of land to the north of the said freehold property, for a total consideration of £84,500,000. Further details were set out in the announcement of the Company dated 2 September 2016.

4. On 15 September 2016, Cmsreuk Moorgate Propco Limited (a wholly-owned subsidiary of the Company)(as the purchaser) entered into a sale and purchase agreement with aik Immobilien-Investmentgesellschaft mbH (as the seller) in relation to the acquisition of the freehold property known as 12 Moorgate, London EC2R 6DA and registered at the Land Registry of the United Kingdom under the title number 141657 for a total consideration of £32,500,000. Further details were set out in the announcement of the Company dated 15 September 2016.

5. On 29 December 2016, Yingchuang Investment Management Co., Ltd. and Shanghai Shangpan Investment Management Co., Ltd. (an indirect wholly-owned subsidiary of the Company)(as general partners) entered into a partnership agreement with Huaneng Guicheng Trust Co., Ltd., Shanghai Oasis Garden Real Estate Co., Ltd. (a subsidiary of the Company) and Ningbo Meishan Baoshuigangqu Zhiao Investment Centre (a subsidiary of the Company) (as limited partners) in relation to the formation of a limited partnership enterprise in the PRC with the total capital commitment of RMB5,116,000,002 for the acquisition from China Minsheng Banking Corp., Ltd. of the right of return of certain property projects, i.e. to receive all proceeds derived from the development, construction, renovation, maintenance, property management, lease, sale, use and disposal of such projects located in Beijing, Shanghai and Shenzhen. Further details were set out in the announcement of the Company dated 29 December 2016.

6. On 29 December 2016, the Company (as representative of the sellers) and Shanghai Zhongchong Binjiang Industrial Development Co., Ltd.(as the purchaser) entered into a cooperation framework agreement, pursuant to which the Company agreed to procure the sellers to sell, and the purchaser agreed to acquire a total of 49% equity interest in Shanghai Jinxin Real Estate Co., Ltd. (as the target company) for a total consideration of RMB2,305 million. Upon completion of the disposal, the Company will, through its subsidiaries, still hold 51% equity interest in the target company. As such, the parties agreed to cooperate in the Qinhai Oasis Garden Project being developed by the target company in terms of construction capital injection, housing requisition, demolition and relocation, as well as subsequent development, upon completion of the disposal. Further details were disclosed in the announcement of the Company dated 29 December 2016.

THE GROUP'S AWARD

1. At the 2016 Golden Bricks Forum (2016金磚論壇), SRE Group was named "Most Valuable Property and Financial Institution of 2016".

2. Shenyang Albany Oasis Garden was awarded "Preferred Property" of 2016 China Property Billboard, and named "2016 Ingenuity Property" on the 2016 Property Honor List of Liaoshen Evening Post and "2016 Consumers' Most Satisfying Property of Shenyang"; Block 9 of Phase II was named a Project of Quality Structure in Liaoning Province, and 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.

3. The Shanghai Lake Malaren Convention Centre was rated as an advanced unit by the Tourism Development Association of Baoshan District of Shanghai in 2016.

4. The North Forest Course of the Shanghai Lake Malaren Golf Club was rated one of "China Top Ten New Golf Courses" by Golf magazine of China, and its Masters Course was ranked one of "China Top 50 Golf Courses" in 2016.

5. The Shanghai Albany Oasis Garden was awarded the Golden Prize of the 9th "Residential Property of Excellence in Shanghai".

BUSINESS OUTLOOK

In 2016, the property policies experienced relaxation and subsequent tightening in hot spot cities. It was proposed at the "Two Sessions" to implement varying policies according to individual cities and destocking, but as property and land prices rose rapidly in hot spot cities, policies have become more obviously diverged. On the one hand, control policies in hot spot cities have been tightened continuously, with restriction of purchase and loan and other control measures escalating, to suppress speculative investment and demand and prevent market risk. On the other hand, destocking strategies were adhered to in third- and fourth-tier cities, striving to improve the market environment on both supply and demand. 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. 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.

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 the quality brand name 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 will actively expand its financing means and attempt bond issuance overseas. It will constantly lower finance costs and utilize domestic and foreign capital to fulfil 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 in regions and enterprises with transformation and upgrade becoming consensus of the industry. In 2016, 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 first-tier cities in its real estate core business while actively developing the overseas market to achieve an asset management scale of RMB100 billion within five years. In 2017, as the beginning year of the formation of the said strategic positioning, the Group will, on the basis of adhering to the strategic goal of "one platform, two strategies and three target markets", emphasize on the capability of integrating resources and realize steady growth in profit and significant expansion of assets, striving to accomplish a good beginning in transformation and development. The Group will expedite its adaptation to the new environment, grasp the opportunity of industrial transformation and gradually reduce its reliance on the "heavy assets" operating model, while expanding investment businesses and accelerating the withdrawal from investment to realize gains process by adopting the "financing, investment, management and withdrawal" approach to speed up the turnover and operate in a "light and heavy assets in parallel" model. In terms of new sources of growth, the Group will actively develop new projects focusing on first-tier cities and 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, One road" strategy and related policies and initiatives and identify prime projects so as to reap the bonus of the "One belt, One road" strategy early. Meanwhile, the Group will prudently attempt diversification and cultivate new growing industries including real estate for education, logistics and other sectors, and enter such markets gradually and at appropriate times.

FINANCIAL REVIEW

Revenue and profit attributable to shareholders

In 2016, the Group recorded net revenue of approximately RMB3,364 million (2015: RMB1,258 million), which represents an increase by approximately 167% compared with that of 2015. Profit attributable to owners of the parent in 2016 was approximately RMB2,320 million while loss attributable to owners of the parent in 2015 was approximately RMB1,899 million. The turnaround in profit in the year was mainly due to the continuous improvement in the Group's overall operating efficiency and a decrease in finance costs.

Dividend

The Board has resolved not to recommend the payment of a final dividend in respect of the year ended 31 December 2016 (2015: Nil).

Financial Resources and Liquidity

As at 31 December 2016, cash and bank balances amounted to approximately RMB1,513 million (2015: RMB2,555 million). Working capital (net current assets) of the Group as at 31 December 2016 amounted to approximately RMB1,963 million (2015: RMB4,469 million), representing a decrease of 56% as compared with the preceding year, and the current ratio was approximately 1.17x (2015: 1.24x).

As at 31 December 2016, total liabilities to total equity decreased to 2.22x (2015: 3.33x). At the end of the financial period, the Group's gearing ratio was approximately 43% (2015: 49%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance of approximately RMB1,513 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.

EMPLOYEES

As at 31 December 2016, the Group had 625 (2015: 2,144) 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 RMB145 million (2015: RMB131 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.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

At the end of the financial period, total bank and other borrowings of approximately RMB1,928 million (2015: RMB4,282 million) were secured by pledge of the Group's assets including leasehold land, investment property, property, plant and equipment, properties held or under development for sale and equity interest in subsidiaries.

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 relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB446 million and these contracts were still effective as at the close of business on 31 December 2016.

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 2016.

CORPORATE GOVERNANCE PRACTICES

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2016, 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.6.7

Pursuant to code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Guoping, a then Independent Non-executive Director, did not attend the annual general meeting and the first special general meeting of the Company for the year 2016 due to other business engagements.

In addition, due to Mr. Yang Chao's retirement as an Independent Non-executive Director, the Company since 1 January 2016 temporarily failed to comply with Rule 3.10A of the Listing Rules, which requires that the independent non-executive directors of the Company must represent at least one-third of the board. Following the appointment of Mr. Ma Lishan as an Independent Non-executive Director on 31 March 2016, such non-compliance was rectified.

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, a then 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 thereof 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 2016.

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 2016.

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 (http://www.hkexnews.hk). The annual report of the Company for 2016 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, 27 March 2017

As at the date of this announcement, 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*