SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2021
Revenue (RMB'000)	**149,304**
Loss attributable to owners of the Company (RMB'000)	**(116,221)**
Basic loss per share (RMB cents)	**(0.57)**
Dividend per share — Interim (RMB cents)	**–**

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of SRE Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 together with comparative figures for the previous corresponding period in 2020. The unaudited interim financial information for the six months ended 30 June 2021 has been reviewed by the audit committee of the Company (the "**Audit Committee**").

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

For the six months ended 30 June 2021

(Amounts presented in thousands of Renminbi unless otherwise stated)

		For the six months ended 30 June	
		2021	2020
	Notes	**Unaudited**	Unaudited
Revenue	*3*	**149,304**	110,556
Cost of sales		**(93,216)**	(40,970)
Gross profit		**56,088**	69,586
Gains from disposal of subsidiaries and partial interests in a joint venture — net		**–**	81,418
Net impairment losses on financial assets		**(32,777)**	(50,394)
Other income	*4*	**61,816**	57,859
Other gains — net		**835**	1,340
Selling and marketing expenses		**(7,394)**	(9,195)
Administrative expenses		**(62,846)**	(61,016)
Operating profit		**15,722**	89,598
Finance income		**833**	4,552
Finance costs		**(137,364)**	(154,297)
Finance costs — net		**(136,531)**	(149,745)
Share of results of associates		**(226)**	50,086
Share of results of joint ventures		**(1,392)**	(27,351)
Loss before income tax		**(122,427)**	(37,412)
Income tax expense	*5*	**2,130**	(18,735)
Loss for the period		**(120,297)**	(56,147)

	Notes	For the six months ended 30 June 2021 Unaudited	2020 Unaudited
Other comprehensive (losses)/income, net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(11,587)**	4,019
Item recycled to profit or loss:			
Exchange differences previously recognised through other comprehensive income recycled to profit or loss and included in gains from disposal of subsidiaries		**–**	(392)
Total comprehensive loss for the period		**(131,884)**	(52,520)
Loss attributable to:			
Owners of the Company		**(116,221)**	(51,243)
Non-controlling interests		**(4,076)**	(4,904)
		(120,297)	(56,147)
Total comprehensive loss attributable to:			
Owners of the Company		**(127,808)**	(47,616)
Non-controlling interests		**(4,076)**	(4,904)
		(131,884)	(52,520)
Losses per share attributable to owners of the Company	*6*		
— Basic		**RMB(0.0057)**	RMB(0.0025)
— Diluted		**RMB(0.0057)**	RMB(0.0025)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**30 June 2021 Unaudited**	31 December 2020 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**169,176**	178,259
Investment properties		**4,112,528**	4,112,500
Right-of-use assets		**216,010**	221,380
Goodwill		**–**	–
Investments in associates		**965,877**	983,778
Investments in joint ventures		**2,552,908**	2,619,175
Deferred tax assets		**252,935**	253,004
Financial assets at fair value through other comprehensive income		**38,056**	38,056
Other non-current assets		**160,731**	162,401
		8,468,221	8,568,553
Current assets			
Prepaid land lease payments		**745,190**	756,407
Properties held or under development for sale		**1,023,553**	1,031,028
Inventories		**1,972**	448
Trade receivables	*8*	**13,659**	42,057
Other receivables		**1,944,968**	1,857,011
Prepayments and other current assets		**62,503**	61,642
Prepaid income tax		**25,531**	25,369
Other financial assets at amortised cost		**1,614,374**	1,463,229
Cash and cash equivalents		**235,266**	379,654
Restricted cash		**2,646**	2,641
		5,669,662	5,619,486
Total assets		**14,137,883**	14,188,039

	Notes	**30 June 2021 Unaudited**	31 December 2020 Audited
EQUITY AND LIABILITIES			
EQUITY			
Issued share capital and share premium		**6,747,788**	6,747,788
Other reserves		**156,255**	167,842
Accumulated losses		**(2,848,245)**	(2,732,024)
Equity attributable to owners of the Company		**4,055,798**	4,183,606
Non-controlling interests		**283,211**	287,287
Total equity		**4,339,009**	4,470,893
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**3,155,492**	3,064,658
Lease liabilities		**32,004**	32,599
Deferred tax liabilities		**1,393,051**	1,398,301
		4,580,547	4,495,558
Current liabilities			
Interest-bearing bank and other borrowings		**1,452,977**	1,511,281
Lease liabilities		**3,642**	5,682
Contract liabilities		**550,143**	546,270
Trade payables	*9*	**392,796**	445,888
Other payables and accruals		**1,927,515**	1,821,103
Current income tax liabilities		**891,254**	891,364
		5,218,327	5,221,588
Total liabilities		**9,798,874**	9,717,146
Total equity and liabilities		**14,137,883**	14,188,039

NOTES:

(Amounts presented in thousands of Renminbi unless otherwise stated)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Basis of preparation

The notes included herein are extracted from the full set of interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 which have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of and for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Going concern basis

As at 30 June 2021, the Group's current liabilities included RMB1,453.0 million of borrowings, out of which RMB942.9 million were defaulted and became immediately repayable triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018; (2) the arrest of Mr. Peng Xinkuang, a former director of the Company, and the detention of Mr. Chen Donghui, a former director of the Company, by the relevant authorities in the PRC in January and February 2020. The above events also resulted in the default of a joint venture's loan of RMB3,451.8 million guaranteed by the Group which gave rights of the relevant lenders to demand the Group to fulfill its guarantee obligation to repay the loan of the joint venture. As at 30 June 2021, however, the Group's cash and cash equivalents amounted to RMB235.3 million only.

The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstance, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as going concern. The Group has formulated following plans and measures to mitigate the liquidity pressure and to improve its cash flows.

1) Although no demand for immediate repayment has been made by the relevant lenders, the Group has been proactively communicating with the relevant lenders to explain that the Group's business, operations, financial condition and cash position remain normal and stable, and the Group has sufficient financial resources to support the repayments of the relevant loans under original repayment schedules. The directors are confident of convincing the relevant lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

2) The Group has also been proactively communicating with the lenders of the loan of the joint venture guaranteed by the Group, and the lenders have neither demanded the joint venture for immediate repayment of the loan nor requested the Group to immediately fulfill its guarantee obligation to repay the loan on behalf of the joint venture. The directors are confident to convince the lenders not to exercise such rights to request the joint venture for immediate repayment of the loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

3) The Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost. Certain financial institutions have indicated their intention to grant new loans to the Group. Considering the Group's good credit history and its ability in providing sufficient pledges of properties and other assets, the directors are confident that the Group will be able to secure new loans at a reasonable cost, when necessary.

4) The Group will continue to speed up its divestments of its financial assets investments, its collection of proceeds from previous disposal transaction, and its return from previous investments in certain joint ventures after their pre-sales of properties under development. Considering the Group's investments in financial assets and joint ventures have property projects as underlying assets, the directors are confident that the Group will be able to successfully and timely generate cash inflows for the Group from above-mentioned transactions and investments.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management of the Company, which covers a period of at least 12 months from 30 June 2021. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within the next 12 months from 30 June 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the followings:

(i) successful maintenance of a continuing and normal business relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to exercise their contractual rights to demand immediate repayment of the relevant borrowings;

(ii) successful maintenance of a continuing and normal business relationship with the lenders of the joint venture of the Group such that no action will be taken by the lenders to exercise their contractual rights to demand immediate repayment of the joint venture's loan and request the Group to fulfill its guarantee obligation;

(iii) successful in obtaining additional sources of financing as and when needed;

(iv) successful and timely divestments of the Group's financial assets investments, timely collection of proceeds from previous disposal transaction, and successful and timely collections of returns from previous investments in certain joint ventures.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial statements.

1.2 Significant accounting policies

Except as described below and for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

New amendments to HKFRSs adopted by the Group in 2021

The Group adopts the following amendments to HKFRSs effective for the financial year ending 31 December 2021.

— Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The adoption of above new amendments of HKFRSs does not have a material impact on the financial position and performance of the Group for the six months ended 30 June 2021, nor results in restatement of comparative figures.

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

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. The 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 provision of property management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The performance of each segment is evaluated based on its operating profit or loss before income tax and the methodology used for its calculation is the same as that for the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

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

An analysis by operating segment is as follows:

	Six months ended 30 June 2021 (unaudited)			
	Property development	**Property leasing**	**Other operations**	**Total**
Segment revenue				
Sales to external customers	**73,349**	**38,746**	**37,209**	**149,304**
Intersegment sales	**–**	**–**	**278**	**278**
	73,349	**38,746**	**37,487**	**149,582**
Reconciliation:				
Elimination of intersegment sales				**(278)**
Revenue				**149,304**
Segment profit/(loss)	**15,426**	**(3,259)**	**3,555**	**15,722**
Finance income				**833**
Finance costs				**(137,364)**
Finance costs — net				**(136,531)**
Share of results of associates				**(226)**
Share of results of joint ventures				**(1,392)**
Loss before income tax				**(122,427)**

	Six months ended 30 June 2020 (unaudited)			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	19,331	29,203	62,022	110,556
Intersegment sales	–	–	43,399	43,399
	19,331	29,203	105,421	153,955
Reconciliation:				
Elimination of intersegment sales				(43,399)
Revenue				110,556
Segment profit	7,985	11,696	69,917	89,598
Finance income				4,552
Finance costs				(154,297)
Finance costs — net				(149,745)
Share of results of associates				50,086
Share of results of joint ventures				(27,351)
Loss before income tax				(37,412)

3. REVENUE

An analysis of revenue is as follows:

	(unaudited) For the six months ended 30 June 2021	2020
Revenue from contracts with customers recognized at a point in time		
— Revenue from sale of properties	**73,579**	19,482
— Revenue from hospital service	**4,517**	7,955
	78,096	27,437
Revenue from contracts with customers recognized over time		
— Revenue from properties management	**12,720**	11,025
— Revenue from hospital service	**11,015**	17,849
— Revenue from construction of infrastructure for intelligent network	**282**	708
	24,017	29,582
Revenue from property leasing	**43,670**	29,417
Other revenue	**4,074**	24,506
Less: Tax and surcharges (a)	**(553)**	(386)
Total revenue	**149,304**	110,556

(a) Tax and surcharges

Tax and surcharges included government surcharges, comprising city maintenance and construction tax, education surtax and river way management fee, which are calculated at certain percentages of value-added tax ("VAT").

Effective from 1 May 2016, the Group's revenue is subject to VAT which is deducted directly from the revenue proceeds. The applicable VAT rate for the Group's revenue is as follows:

- Pursuant to the 'Public Notice on Relevant Polices for Deepening VAT Reform' jointly issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs on 29 March 2019, the applicable tax rates of revenue arising from sale and lease of properties and revenue arising from construction of infrastructure for intelligent network are 9% from 1 April 2019, while they were 10% from 1 May 2018 to 31 March 2019, and 11% before 1 May 2018. Qualified old projects, which are those with construction commenced on or before 30 April 2016, can adopt a simplified VAT method at a rate of 5% with no deduction of input VAT. Revenue from property management services is subject to VAT at 6%.

4. OTHER INCOME

An analysis of other income is as follows:

	(unaudited) For the six months ended 30 June	
	2021	2020
Interest income from receivables due from related parties	**46,746**	57,859
Gain from guarantee provided to a joint venture (a)	**15,070**	–
	61,816	57,859

(a) Income from guarantee provided to a joint venture of approximately RMB21,415 thousand for the six months ended 30 June 2020 was recorded in revenue.

5. INCOME TAX EXPENSE

	(unaudited) For the six months ended 30 June	
	2021	2020
Current taxation		
— Mainland China income tax (a)	**2,619**	5,866
— Mainland China LAT (c)	**432**	1,602
	3,051	7,468
Deferred taxation		
— Mainland China income tax	**(4,141)**	10,950
— Mainland China LAT	**(454)**	(318)
— Mainland China withholding tax (d)	**(586)**	635
	(5,181)	11,267
Total tax (credit)/charge for the period	**(2,130)**	18,735

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25%, in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition, based on certain estimations. Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2035. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2020: Nil).

(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, 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 3% (2020: 2% to 5%) on proceeds from the sale and pre-sale of properties. Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

(d) Mainland China withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in 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.

6. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit/(loss) for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 20,564,713 thousand (2020: 20,564,713 thousand) in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The 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 market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the six months ended 30 June 2021 and 2020, as the average market share price of the Company's shares was lower than assumed exercise price being the fair value of any services to be supplied to the Group in the future under the share option arrangement, the impact of exercise of the share options on earnings per share is anti-dilutive.

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

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Earnings		
Loss attributable to owners of the Company	**(116,221)**	(51,243)

	Number of shares	
	For the six months ended 30 June 2021 *(Thousand shares)*	For the six months ended 30 June 2020 *(Thousand shares)*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**20,564,713**	20,564,713

There have been no other transactions involving ordinary shares or potential ordinary shares between 30 June 2021 and the date of issuance of this interim financial information.

7. DIVIDEND

On 26 August 2021, the Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (2020: Nil).

8. TRADE RECEIVABLES

	30 June 2021 Unaudited	31 December 2020 Audited
Trade receivables	**65,673**	64,800
Less: Provision for impairment	**(52,014)**	(22,743)
	13,659	42,057

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

	30 June 2021 Unaudited	31 December 2020 Audited
Within 6 months	**3,591**	33,786
6 months to 1 year	**31,069**	–
1 to 2 years	**132**	806
Over 2 years	**30,881**	30,208
	65,673	64,800

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

9. TRADE PAYABLES

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

	30 June 2021 Unaudited	31 December 2020 Audited
Within 1 year	**19,593**	271,612
1 to 2 years	**214,752**	97,720
Over 2 years	**158,451**	76,556
	392,796	445,888

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months ended 30 June 2021 (the "**Reporting Period**"), the Group recorded a net revenue of approximately RMB149 million (six months ended 30 June 2020: RMB111 million), which represents an increase by approximately 35% compared with that of the corresponding period of last year. Loss attributable to owners of the Company for the six months ended 30 June 2021 amounted to approximately RMB116 million while loss attributable to owners of the Company for the corresponding period of last year was approximately RMB51 million. Such change in loss is mainly due to the fact that the Group continued to adhere to its strategic direction of becoming a "regional developer of boutique residential properties" and having real estate as its core business, so no significant assets or subsidiaries were disposed of in the first half of 2021, causing a year-on-year decline in the gain on disposal of investments.

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (2020: Nil).

Liquidity and Financial Resources

As at 30 June 2021, cash and bank balances (including cash and cash equivalents and restricted deposits) amounted to approximately RMB238 million (31 December 2020: approximately RMB382 million). Working capital (net current assets) of the Group as at 30 June 2021 amounted to approximately RMB451 million (31 December 2020: approximately RMB398 million), representing an increase by approximately 13% as compared with the previous year. Current ratio was at 1.09 (31 December 2020: 1.08).

As at 30 June 2021, the Group's gearing ratio was 50% (31 December 2020: 48%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balances) over total capital (total equity and net borrowings).

Interest-bearing Liabilities and Their Composition

As at 30 June 2021, the Group's interest-bearing liabilities amounted to RMB4,608 million, representing 33% of total assets. In respect of financing sources, bank borrowings, shareholder loans and other borrowings accounted for 20%, 68% and 12% respectively. In respect of types of interest rates, liabilities with fixed interest rates accounted for 79% and liabilities with floating interest rates accounted for 21%. In respect of currencies, RMB liabilities and foreign currencies liabilities accounted for 76% and 24% respectively.

Charges on Assets and Contingent Liabilities

As at 30 June 2021, the Group's bank and other borrowings of approximately RMB1,603 million (31 December 2020: approximately RMB1,627 million) were secured by mortgage of the Group's leasehold land, investment properties, property, plant and equipment, right-of-use assets and properties held or under development for sale, or by pledge of equity interests in a subsidiary and bank deposits.

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 banks grant the relevant mortgage loans and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into such guarantee contracts with principal amounts totalling approximately RMB151 million (31 December 2020: approximately RMB165 million) and these contracts were still effective as at 30 June 2021.

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

The Group also provided guarantee for bank loans of a joint venture of it. As at 30 June 2021, such guarantee amounted to approximately RMB3,452 million (31 December 2020: approximately RMB3,452 million).

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans withdrawn amount of US$240 million as at 30 June 2021 (31 December 2020: US$178 million). Relevantly, the Group provided a deposit of US$24.92 million as at 30 June 2021 (31 December 2020: US$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

Risk of Fluctuations in Exchange Rates

The Group conducts a majority of its business operations in the PRC, with most of the revenue and expenses denominated in RMB. The Group currently has no foreign currency hedging policies, but the management monitors risks of fluctuations in exchange rates and will consider hedging significant risks of fluctuations in exchange rates when necessary.

BUSINESS REVIEW

During the first half of 2021, the GFA of newly introduced commodity properties in key cities reached a record high for the same respective periods due to factors such as the advocate for "staying put for the Spring Festival" against COVID-19 and the policy of "two centralised activities for land supplies" (publishing announcements and organising activities in a centralised manner for land transfer). Driven by increased supply, the overall real estate market was active at the first half of the year as the number of properties sold in cities slightly increased as compared to the previous year. In terms of land transactions, the land market became obviously hotter, particularly in the first- and second-tier cities. Notably, as the central government held a firmer attitude towards real estate market regulation at the first half of the year, several ministries investigated the inflow of such credit funds as operating loans to the market and some cities introduced regulation policies to stabilise market expectations. In this context, the sale of properties slowed down in some cities. With a rational trend and intensified competition among players, the real estate market became increasingly diversified and concentrated.

During the Reporting Period, the macro-economic situation remained complex and policy regulation in the real estate industry continued to deepen. Markets in different regions became increasingly distinctive. In the face of challenges brought by changes in internal and external business environment, the Group will firmly follow the direction of "focusing on projects, key regions, and talent strategies", stick on the promotion of project development and optimize and improve asset operation. At the first half of the year, there were not many properties available for sale but several key projects in China made milestones and started construction. Some projects are expected to be launched at the second half of the year. In terms of real estate holdings, the Group transformed its properties to improve assets efficiency while ensuring stable operations. In terms of investment, the Group stuck to rational investment with a focus on certain regions and negotiated for some potential investment projects. Meanwhile, current accounts were cleared, relevant accounts were checked, and administrative expenses were optimised to improve liquidity. On the whole, the Group's cash flow remained solid and business activities were carried out in an orderly manner at the first half of the year. Some projects have made breakthroughs.

PROPERTY DEVELOPMENT BUSINESS

Sales Progress

In the first half of 2021, major projects for sale of the Group and its joint ventures and associates included Shanghai Albany Oasis Garden, Shanghai Huating Project, Jiaxing Project, Shanghai Masters Mansions and the 75 Howard Project in the USA. During the first half of 2021, the Group together with its joint ventures and associates (on a 100% basis) achieved contract sales of approximately RMB374 million for a total floor area of 4,349m^2.

Project	**Amount of Sales Contracts** *(RMB'000)*	**Contractual Gross Area** *(m^2)*
75 Howard Project in the USA	244,217	1,117
Shanghai Albany Oasis Garden	59,686	513
Shanghai Huating Project	27,696	–
Shanghai Masters Mansions	20,993	514
Jiaxing Project	13,376	1,554
Other projects	8,290	651
Total	374,258	4,349

Land Bank

As at 30 June 2021, the Group owned a land bank with a total gross floor area of approximately 1.59 million m^2 (including those of the Group's joint ventures and associates) in Shanghai, Jiaxing, Changsha, Dalian, Beijing, San Francisco, Phnom Penh, etc.

Progress of Construction

Jiaxing Project

During the first half of 2021, with all the payments collected for sale of properties, the Jiaxing Lanwan Project Phase II exceeded the targets with regard to contract signing and payment collection set for this period. The project has completed construction as planned and is preparing for delivery. This project is expected to meet conditions for delivery in the third quarter.

75 Howard Project in the USA

At the first half of the year, the 75 Howard Project in the USA started interior decoration and progressed smoothly. The building is expected to be completed and granted with the certificate of completion and permit of occupancy within the year. As the sale of properties for the project progressed slowly due to COVID-19 in the USA, the Group has adjusted its sales strategy to boost marketing.

Romduol City in Phnom Penh, Cambodia

During the first half of 2021, the main structure of Building A of the Cambodia project has been completed and renovation works were smoothly underway. The Group has expanded its online sales channels for the project under a high sales pressure due to the overseas epidemic.

Dalian Oasis City Garden

During the first half of the year, the project in Wafangdian, Dalian was undergoing land merger and planning adjustment and all the work was advanced steadily. Construction is expected to commence in the third quarter, and a demonstration area to be open and sales to be started within the year.

Shanghai Masters Mansions Project

During the Reporting Period, the Lake Malaren Silicon Phase II completed the adjustment on planning indicators and the design optimization, and solved some of the historical issues. Construction commenced in March, and a demonstration area was open in June. The sale is expected to officially start in the third quarter.

Changsha Fudi Albany Project

During the first half of 2021, the phase I project was under construction with planning and construction permits in hand. It is expected that the project will meet pre-sale conditions and be launched for sale in the third quarter.

Progress of Relocation

Shanghai Rich Gate I

During the first half of 2021, contracts were signed for 964 certificates of households (including certificates of individuals) in aggregate, representing a signing rate of 95.63%, of which 925 certificates of the households were relocated, representing a relocating rate of 91.77%; and contracts were signed for 34 certificates of enterprises, representing a signing rate of 87.18%, of which 24 certificates of the enterprises were relocated, representing a relocating rate of 61.54%. The project planning, adjustment, and expropriation work were effectively promoted.

Shanty Town Renovation Project in Zhangjiakou

During the first half of 2021, the North District demolition was resumed. For this project, 837 households signed contracts, but the remaining 93 households did not, representing a signing rate of approximately 90%. The work for "providing access to water supply, electricity and roads as well as land levelling" has started in the North District.

Commercial Property Operation

Improving the performance of operating items is fundamental to the operation of commercial properties. During the first half of 2021, under the tough market environment and the continued impact of the pandemic, the Group's commercial properties remained full operations. The Group enhanced the management and operation of its self-owned commercial properties, sorted out states of and difficulties in operations of various properties, utilised its advantages in project synergy and management, adjusted operation strategies when appropriate, and imposed stricter requirements to improve operation benefits.

Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, Oasis Central Ring Centre is designed as a complex eco-business cluster in the form of a circular commercial street connected with office buildings. During the first half of 2021, the Oasis Central Ring Centre operated in an orderly manner with the occupancy rate maintained at 95% and the operating revenue has slightly increased as compared with that of the corresponding period of last year.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall, relying on merchants specialising in children's education and interactions between parents and kids, continued to deepen the positioning of "becoming an alliance of education and catering" while introducing interactive activities related to health and a beautiful life. In doing so, it aims to build an ecosystem for parents and kids. This project started to operate steadily, but operating revenue and profits slipped as compared with the corresponding period of the previous year due to the repeated outbreak of COVID-19 in Shenyang. The overall occupancy rate maintained at 66.82% during the first half of the year. Currently, the project has taken several measures to improve the attraction of merchants, advertising and marketing, collection of rentals, mall operations, and personnel management to increase merchants, enhance operations, and intensify management, with an aim to make breakthroughs in both the occupancy rate and profit margin at the second half of the year.

Lake Malaren Golf Course

Shanghai Lake Malaren Golf Club, a high-level professional golf course in Northern Shanghai, has ranked ninth among the top 100 golf courses in Mainland China and managed to organise club activities and increase several self-services through managerial innovation. Meanwhile, lighting for a night golf course and restaurants in the club were renovated in the first half of the year. With an increased business area and expanded channels of revenue, its revenue and profit remained.

Retail Street of Lake Malaren

With adherence to the positioning of "a new landmark that combines sports, culture and arts, featuring dining and markets at North Shanghai", Shanghai Lake Malaren Commercial Street has been built on Meilan Lake Town into a symbol of the region with its resources and advantages. Thanks to continuous upgrade and renovation, Shanghai Lake Malaren Commercial Street has attracted a diversity of excellent merchants and keeps increasing popularity through co-marketing and themed activities. Given all these, the overall business outlook and rental efficiency greatly improved at the first half of the year.

BUSINESS OUTLOOK

With the steady promotion of efforts to prevent and control COVID-19 and economic and social development, economic development showed continued resilience. Under the combined efforts of factors such as policies and structural recovery, the Chinese economy continues to embrace a solid and sound growth. The rapid development of China's real estate market will be driven by the demand for housing owing to the steadily growing national economy, a stable increase in per capita income and urbanisation drive, as well as the demand for better housing thanks to increasingly improved living standards. For the long run, China's real estate market has huge room for development.

The Group will accomplish the following tasks by leveraging its advantages and continuing its focus on the real estate business at the second half of 2021:

Advance the development of existing projects, revitalise assets, and facilitate sales and payment collection;

Enhance the monitoring and management of key areas and projects to ensure that milestones of projects are completed;

Secure quality projects in a timely manner and seek high quality development based on the capital position and with a focus on the expansion in selected cities, adaptation to changes in market cycles, and product capabilities;

Deepen refined operations, improve management levels, attach importance to talent cultivation, continue the deepening of organisational reconstruction to improve organisational competitiveness and facilitate business development.

HUMAN RESOURCES

As at 30 June 2021, the Group had 416 employees in Hong Kong and Mainland China. Total staff costs of the Group excluding Directors' remuneration, for the six months ended 30 June 2021 amounted to approximately RMB44.79 million. Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Specific enquiry has been made of all Directors, who have confirmed that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chan Charles Sheung Wai, Mr. Zhuo Fumin, and Mr. Ma Lishan with written terms of reference in compliance with the Listing Rules. Mr. Chan Charles Sheung Wai is the chairman of the Audit Committee. These unaudited condensed consolidated interim results for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2021, the Board has reviewed its corporate governance practices and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

Save as previously disclosed by the Company, there was no other important event affecting the Group which has taken place since 30 June 2021 up to the date of this announcement.

SHAREHOLDING STRUCTURE OF THE COMPANY AND SUFFICIENCY OF PUBLIC FLOAT

Based on public information available and enquiries made by the Company with its shareholders, the shareholding structure of the Company as at the date of this announcement is as follows:

Name of shareholders	Number of shares held (based on voting rights controlled by the shareholder)	Approximate percentage of shareholding
Jiashun (Holding) Investment Limited *(Note 1)*	12,500,000,000	60.78%
Zhi Tong Investment Limited Partnership *(Note 2)*	2,022,761,390	9.84%
Jiayou (International) Investment Limited *(Note 3)*	134,092,000	0.66%
He Pei Pei *(Note 4)*	160,000	0.0008%
Public *(Note 5)*	5,907,700,332	28.72%
Total	20,564,713,722	100.00%

Notes:

1. Jiashun (Holding) Investment Limited is an indirect subsidiary of China Minsheng Investment Corp., Ltd. ("**CMI**"). CMI holds approximately 67.26% direct interest in China Minsheng Jiaye Investment Co., Ltd. which, in turn, indirectly holds 100% interest of Jiashun (Holding) Investment Limited.

2. Zhi Tong Investment Limited Partnership is an indirect subsidiary of CMI.

3. Jiayou (International) Investment Limited is an indirect subsidiary of CMI.

4. He Pei Pei is the spouse of Zhuo Fumin, an independent non-executive Director.

5. This includes the 866,897,738 shares held by SRE Investment Holding Limited ("**SREI**") which are charged to Jia Yun Investment Limited (an indirect subsidiary of CMI). SREI retains the voting rights of shares.

As illustrated from the shareholding table above, as at the date of this announcement, 5,907,700,332 shares (representing approximately 28.72% of the issued share capital of the Company) are in the public hands. Therefore, the Company is in compliance with the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement of the Company is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sre.com.hk). The interim report of the Company for 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
SRE Group Limited
Hong Zhihua
Chairman

Hong Kong, 26 August 2021

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Hong Zhihua, Mr. Kong Yong, Mr. Xu Ming and Mr. Jiang Qi; two non-executive directors, namely Mr. Lu Jianhua and Mr. Luo Guorong; and three independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai and Mr. Ma Lishan.

* *For identification purpose only*