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 2022

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2022
Revenue (RMB'000)	**106,105**
Loss attributable to owners of the Company (RMB'000)	**(147,020)**
Basic loss per share (RMB cents)	**(0.71)**
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 2022 together with comparative figures for the previous corresponding period in 2021. The unaudited interim financial information for the six months ended 30 June 2022 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 2022

(Amounts presented in thousands of Renminbi unless otherwise stated)

		For the six months ended 30 June	
		2022	2021
	Notes	**Unaudited**	Unaudited
Revenue	*3*	**106,105**	149,304
Cost of sales		**(36,251)**	(93,216)
Gross profit		**69,854**	56,088
Net impairment losses on financial assets		**(3,228)**	(32,777)
Other income	*4*	**52,264**	61,816
Other gains — net		**3,617**	835
Selling and marketing expenses		**(7,205)**	(7,394)
Administrative expenses		**(54,540)**	(62,846)
Operating profit		**60,762**	15,722
Finance income		**232**	833
Finance costs		**(187,444)**	(137,364)
Finance costs — net		**(187,212)**	(136,531)
Share of results of associates		**2,931**	(226)
Share of results of joint ventures		**(23,475)**	(1,392)
Loss before income tax		**(146,994)**	(122,427)
Income tax expense	*5*	**(7,464)**	2,130
Loss for the period		**(154,458)**	(120,297)

	Notes	For the six months ended 30 June	
		2022	2021
		Unaudited	Unaudited
Other comprehensive income/(losses), net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**72,611**	(11,587)
Total comprehensive loss for the period		**(81,847)**	(131,884)
Loss attributable to:			
Owners of the Company		**(147,020)**	(116,221)
Non-controlling interests		**(7,438)**	(4,076)
		(154,458)	(120,297)
Total comprehensive loss attributable to:			
Owners of the Company		**(74,409)**	(127,808)
Non-controlling interests		**(7,438)**	(4,076)
		(81,847)	(131,884)
Losses per share attributable to owners of the Company	*6*		
— Basic		**RMB(0.0071)**	RMB(0.0057)
— Diluted		**RMB(0.0071)**	RMB(0.0057)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**30 June 2022 Unaudited**	31 December 2021 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**317,620**	325,856
Investment properties		**4,154,300**	4,154,300
Right-of-use assets		**258,132**	260,652
Investments in associates		**954,529**	951,598
Investments in joint ventures		**2,948,762**	2,890,109
Deferred tax assets		**251,828**	252,391
Financial assets at fair value through other comprehensive income		**39,955**	39,955
Other non-current assets		**–**	85,074
		8,925,126	8,959,935
Current assets			
Prepaid land lease payments		**728,264**	732,226
Properties held or under development for sale		**1,740,813**	1,711,184
Inventories		**1,227**	1,041
Trade receivables	*8*	**51,976**	25,013
Other receivables		**1,387,164**	1,273,824
Prepayments and other current assets		**25,246**	27,705
Prepaid income tax		**1,373**	4,360
Other financial assets at amortised cost		**1,217,580**	1,214,271
Cash and cash equivalents		**72,239**	70,521
Restricted cash		**3,412**	37,364
Assets classified as held for sale		**–**	23,031
		5,229,294	5,120,540
Total assets		**14,154,420**	14,080,475

	Notes	30 June 2022 Unaudited	31 December 2021 Audited
EQUITY AND LIABILITIES			
EQUITY			
Issued share capital and share premium		**6,747,788**	6,747,788
Other reserves		**251,712**	179,101
Accumulated losses		**(2,858,935)**	(2,711,915)
Equity attributable to owners of the Company		**4,140,565**	4,214,974
Non-controlling interests		**260,997**	268,435
Total equity		**4,401,562**	4,483,409
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**3,300,898**	3,344,629
Lease liabilities		**28,710**	31,409
Deferred tax liabilities		**1,588,738**	1,580,800
Other non-current liabilities		**286,687**	286,687
		5,205,033	5,243,525
Current liabilities			
Interest-bearing bank and other borrowings		**934,454**	896,749
Lease liabilities		**4,613**	3,187
Contract liabilities		**108,462**	71,925
Trade payables	*9*	**471,710**	484,810
Other payables and accruals		**2,144,711**	2,010,092
Current income tax liabilities		**883,875**	886,778
		4,547,825	4,353,541
Total liabilities		**9,752,858**	9,597,066
Total equity and liabilities		**14,154,420**	14,080,475

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 2022 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Going concern basis

As at 30 June 2022, the Group's current liabilities included RMB934.5 million of borrowings, out of which RMB906.9 million were defaulted and became immediately repayable triggered by the following events: (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; (3) the failure of a joint venture (the "JV") to pay the interest of RMB181.5 million of its syndicated bank loan due 21 March 2022 and its failure to meet the target progress of its project resettlement and land titles due 31 March 2022 which were explicitly stated in the extension agreement of the syndicated bank loan of the JV dated 24 December 2021. The JV's syndicated bank loan of RMB4,451.8 million was guaranteed by the Group and all of the above events of defaults resulted in the relevant lenders having the right to demand the Group to fulfill its guarantee obligation immediately. As at 30 June 2022, however, the Group's cash and cash equivalents amounted to RMB72.2 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 a going concern. The Group has formulated the 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 and the Group will be able to arrange 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 syndicated bank loan of the JV, and as of the date of the interim condensed consolidated financial statements, the lenders have neither demanded the JV for immediate repayment of the loan nor requested the Group to immediately fulfill its guarantee obligation to repay the loan on behalf of the JV. The JV has repaid RMB183.6million of interests and related penalty on 21 May 2022 with resources from an entrusted loan to which the Group provided guarantee and pledged assets of RMB92.5 million. 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 identified and planned various actions mainly including but not limited to (a) increasing the efforts to presale or sell the Group's properties completed or under development; (b) divesting its investments in certain joint ventures, properties, plant and equipment, and financial assets; (c) collecting certain shareholder loans and receivables from a joint venture and other third parties. The Group will speed up the above-mentioned actions and its collection of relevant proceeds. The directors are confident that the Group will be able to successfully and timely generate cash inflows for the Group from the above-mentioned actions.

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 2022. 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 2022. 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 syndicated bank loan lenders of the JV such that no action will be taken by the lenders to exercise their contractual rights to demand immediate repayment of the principals of the loan or request the Group to fulfill its guarantee obligation;

(iii) successful and timely sales and presales activities, successful and timely divestments of the Group's investment in certain joint ventures, properties, plant and equipment, and financial assets at a reasonable price, timely collection of proceeds from these activities and transactions, as well as timely collection of shareholder loan and receivables from a joint venture and other third parties.

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 2021.

New amendments to HKFRSs adopted by the Group in 2022

The Group adopts the following amendments to HKFRSs effective for the financial year ending 31 December 2022.

— Amendments to HKAS 16 – Property, Plant and Equipment: Proceeds before intended use

— Amendments to HKFRS 3 – Reference to the Conceptual Framework

— Amendments to HKAS 37 – Onerous Contracts — Cost of Fulfilling a Contract

— Annual Improvements to HKFRS Standards 2018–2020

— Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5)

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 2022, 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 2022 (Unaudited)			
	Property development	**Property leasing**	**Other operations**	**Total**
Segment revenue				
Sales to external customers	**9,989**	**61,818**	**34,298**	**106,105**
Revenue				**106,105**
Segment profit	**888**	**38,323**	**21,551**	**60,762**
Finance income				**232**
Finance costs				**(187,444)**
Finance costs — net				**(187,212)**
Share of results of associates				**2,931**
Share of results of joint ventures				**(23,475)**
Loss before income tax				**(146,994)**

	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)

3. REVENUE

An analysis of revenue is as follows:

	(Unaudited) For the six months ended 30 June	
	2022	2021
Revenue from contracts with customers recognized at a point in time		
— Revenue from sale of properties	**10,263**	73,579
— Revenue from hospital service	**5,125**	4,517
	15,388	78,096
Revenue from contracts with customers recognized over time		
— Revenue from properties management	**11,450**	12,720
— Revenue from hospital service	**17,380**	11,015
— Revenue from construction of infrastructure for intelligent network	**–**	282
	28,830	24,017
Revenue from property leasing	**61,955**	43,670
Other revenue	**365**	4,074
Less: Tax and surcharges (a)	**(433)**	(553)
Total revenue	**106,105**	149,304

(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	
	2022	2021
Interest income from receivables due from related parties	**49,088**	46,746
Gain from guarantee provided to a joint venture	**3,176**	15,070
	52,264	61,816

5. INCOME TAX EXPENSE

	(Unaudited) For the six months ended 30 June	
	2022	2021
Current taxation		
— Mainland China income tax (a)	**(1,770)**	2,619
— Mainland China LAT (c)	**733**	432
	(1,037)	3,051
Deferred taxation		
— Mainland China income tax	**6,832**	(4,141)
— Mainland China LAT	**–**	(454)
— Mainland China withholding tax (d)	**1,669**	(586)
	8,501	(5,181)
Total tax charge/(credit) for the period	**7,464**	(2,130)

(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 (2021: 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 1% to 3% (2021: 1% to 3%) 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 (2021: 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 2022 and 2021, 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:

	(Unaudited)	
	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Earnings		
Loss attributable to owners of the Company	**(147,020)**	(116,221)

	Number of shares	
	For the six months ended 30 June 2022 ***(Thousand shares)***	For the six months ended 30 June 2021 *(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 2022 and the date of issuance of this interim financial information.

7. DIVIDEND

On 26 August 2022, the Board resolved not to declare an interim dividend for the six months ended 30 June 2022 (2021: Nil).

8. TRADE RECEIVABLES

	30 June 2022 Unaudited	31 December 2021 Audited
Trade receivables	**80,179**	52,935
Less: Provision for impairment	**(28,203)**	(27,922)
	51,976	25,013

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 2022 Unaudited	31 December 2021 Audited
Within 6 months	**28,677**	20,937
6 months to 1 year	**19,610**	2,279
1 to 2 years	**2,870**	700
Over 2 years	**29,022**	29,019
	80,179	52,935

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 2022 Unaudited	31 December 2021 Audited
Within 1 year	**270,131**	218,592
1 to 2 years	**19,627**	83,621
Over 2 years	**181,952**	182,597
	471,710	484,810

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 2022 (the "**Reporting Period**"), the Group recorded a net revenue of approximately RMB106 million (six months ended 30 June 2021: RMB149 million), which represents a decrease by approximately 29% compared with that of the corresponding period of last year. Loss attributable to owners of the Company for the six months ended 30 June 2022 amounted to approximately RMB147 million while loss attributable to owners of the Company for the corresponding period of last year was approximately RMB116 million. Such increase in loss was mainly attributable to (1) a lower revenue and profit recognized from property sales, rentals and operations due to the resurgence of the COVID-19 pandemic and the corresponding preventive and control measures imposed by the local government in the People's Republic of China, especially the COVID-19 lockdowns in Shanghai during the second quarter in 2022; and (2) foreign exchange translation loss attributable to a 5.3% depreciation of Renminbi against the United States dollar in the Reporting Period.

The Board resolved not to declare an interim dividend for the six months ended 30 June 2022 (2021: Nil).

Liquidity and Financial Resources

As at 30 June 2022, cash and bank balances (including cash and cash equivalents and restricted deposits) amounted to approximately RMB76 million (31 December 2021: approximately RMB108 million). Working capital (net current assets) of the Group as at 30 June 2022 amounted to approximately RMB681 million (31 December 2021: approximately RMB767 million), representing a decrease by approximately 11% as compared with the previous year. Current ratio was at 1.15 (31 December 2021: 1.18).

As at 30 June 2022, the Group's gearing ratio was 49% (31 December 2021: 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 2022, the Group's interest-bearing liabilities amounted to RMB4,235 million, representing 30% of the Group's total assets. In respect of financing sources, bank borrowings, shareholder loans and other borrowings accounted for 19%, 78% and 3% respectively. In respect of types of interest rates, liabilities with fixed interest rates accounted for 80% and liabilities with floating interest rates accounted for 20%. In respect of currencies, RMB liabilities and foreign currencies liabilities accounted for 73% and 27% respectively.

Charges on Assets and Contingent Liabilities

As at 30 June 2022, the Group's bank and other borrowings of approximately RMB1,467 million (31 December 2021: approximately RMB1,525 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 or 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 RMB52 million (31 December 2021: approximately RMB148 million) and these contracts were still effective as at 30 June 2022.

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. As at 30 June 2022, such guarantee amounted to approximately RMB4,452 million (31 December 2021: approximately RMB4,452 million). The Group also provided guarantee and pledged assets for an entrusted loan of a joint venture. As at 30 June 2022, such guarantee amounted to approximately RMB92 million (31 December 2021: Nil).

Meanwhile, the Group provided a completion guarantee on the project development of a joint venture in relation to the development loans withdrawn amount of US$285 million as at 30 June 2022 (31 December 2021: US$285 million). Relevantly, the Group didn't provide a deposit as at 30 June 2022 (31 December 2021: US$13.35 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

Currently, the national real estate market shows severe divergence. With insufficient confidence, the market sees weak recovery. Omicron outbreaks occurred in Beijing, Shanghai, Shenzhen and other cities in the first half of 2022. Due to inconvenience of mobility, coupled with declining expectations on future income, the overall supply and demand and transactions in the market showed no sign of remarkable turnaround. According to data from CRIC, the top 100 real estate developers (on a comparable basis) recorded a year-on-year decline of 50.8 percent in total sales in the first six months of 2022. Sales in June 2022 increased by 1.7 percent from that in the first five months of the year. Sales picked up slightly in June as the pandemic eased. However, there is still room for the actual relaxation of industry policies, and market confidence needs to recover.

During the first half of 2022, the macro-economic situation remained complex and policy-based regulation in the real estate sector was continuously deepened. Markets in different regions were becoming more and more differentiated. From the perspective of the day-to-day operations of the Group, its multiple projects were affected by the COVID-19 pandemic in the first half of 2022. The outbreak in Shanghai, in particular, has greatly impacted its business operations. In the face of challenges, the Company’s management team made continuous efforts, never slack off, and actively embraced changes. On the whole, the Group’s business activities were carried out in an orderly manner in the first half of 2022.

PROPERTY DEVELOPMENT BUSINESS

Sales Progress

In the first half of 2022, major projects for sale of the Group and its joint ventures and associates mainly included the 75 Howard in the USA, Changsha Albany Oasis, Jiaxing Project and Shanghai Albany Oasis Garden. During the first half of 2022, the Group together with its joint ventures and associates achieved contract sales of approximately RMB558 million for a total floor area of 26,248 m^2.

Project	**Amount of Sales Contracts** *(RMB'000)*	**Contractual Gross Area** *(m^2)*
75 Howard Project in the USA	342,784	1,983
Changsha Albany Oasis	88,542	9,554
Jiaxing Project	67,380	11,761
Shanghai Albany Oasis Garden	42,353	786
Shanghai Lake Malaren Mansions	4,427	159
Other projects	12,875	2,005
Total	558,361	26,248

Land Bank

As at 30 June 2022 , the Group owned a land bank with a total gross floor area of approximately 1.47 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

Jiaxing Project Phase II applied for property title certificates and achieved the full delivery of sold houses. It entered into a purchase agreement on apartment blocks. All houses of the project were sold out. Currently, it is in the final stage of project settlement.

75 Howard in the USA

All apartments of 75 Howard in the United States were examined and the level of energy efficiency of exterior walls was accepted. The project proceeds smoothly, with the certificate of final completion expected to be granted in the third quarter. Affected by the successive interest rate hikes by the Federal Reserve, the project saw sluggish sales in the first half of the year. However, sales strategies have been enriched and follow-up talks will focus on pricing, with an aim to boost sales.

Romduol City in Phnom Penh, Cambodia

At present, facade decoration was underway. More than 80% of the aluminum grilles of Block A have been revamped and over 50% of the temporary structures were removed. The decoration scheme will be further refined for customer delivery at the end of the year. In the meantime, optimisation and adjustments have been made to the management team, in a bid to increase development and sales efficiency.

Dalian Albany Mansions

Currently, preparations were made for development and efforts were made to review drawings and complete the procedures concerning development, temporary water and electricity supply, urban pipe network and so forth. Meanwhile, business orientation planning and in-depth design were carried out for 38# and 35# land plots.

Shanghai Lake Malaren Mansions

Due to the lockdown in Shanghai, construction and sales reception for the project were suspended from March to June. In-depth adjustments were made to the decoration scheme, smartisation scheme and so forth for the public area in the first half of 2022. As the outbreak in Shanghai improved in June, sales reception resumed. It is expected to resume construction in the third quarter of 2022.

Changsha Albany Oasis

The main body of some buildings of the project was accepted. The project progressed at a reasonable pace. As far as the sales are concerned, the Group planned to incentivise pipeline and field operations teams to boost sales, and also optimised products based on 120 apartments, with an aim to ensure the retention of a school and the roads. The sales work went smoothly.

Progress of Relocation

Shanghai Rich Gate I

The land was approved to be mainly used for housing cluster, according to the "Partial Adjustment of Street Blocks 280A and 283A in the Regulatory Plan for Units C010301 and C010302, Yuyuan Community, Huangpu District, Shanghai (HP-50-II Block Protection Plan)" (SMPG D (2022) No.5) issued by Shanghai Municipal People's Government in January 2022. So far, the change of land-use planning is completed. As of 30 June 2022, 994 households (including individually-owned business) signed contracts on relocation, with a signing rate of 98.61%, while 981 households relocated, with a relocation rate of 97.32%. 39 units signed contracts on relocation, with a signing rate of 95.12%, while 39 units relocated, with a relocation rate of 95.12%.

Shanty Town Renovation Project in Zhangjiakou

In light of the sales of local real estate sector, the strategic direction of the project was altered. With expropriation halted, it started the project settlement and planned to negotiate the land replacement plan with the government. In the first half of 2022, relevant matters were reported to the government for communication and the project cost audit was initiated.

Commercial Property Operation

In the first half of 2022, operations were suspended due to the COVID-19-related lockdown in Shanghai, putting heavy financial pressure on business operations. On 28 May 2022, the People's Government of Shanghai issued policies and measures to provide rental relief and support for merchants. Such rental relief covers a wide range of areas with the relief period extended to 6 months, which significantly impacts the collection of commercial rents. Under the tough market environment and the continued impact of the pandemic, the Group's commercial properties remained stable operation. The Group optimised and adjusted its organisational structure to increase the number of commericial management and asset management platforms. Centring on the business objectives of "improvement in asset benefits, enhancement of operations, and high efficiency in transformation and operation", the Group enhanced the management and operation of its self-owned 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. All these are to ensure the achievement of the business objectives.

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 2022, comprehensive improvement was made from five aspects: investment attraction adjustment, cleanup of problematic merchants, improvement of the environment around the project, rectification of property problems and change of teams' working style. Production was suspended but work did not stop amid the pandemic. The Group actively paid attention to the development situation of the pandemic and mulled over related support policies.

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 operates steadily now, but operating revenue and profit slipped as compared with the corresponding period of the previous year due to the repeated outbreaks of COVID-19 in Shenyang in the first half of 2022. Currently, improvements are made to introduce high-quality brands, manage and standardise merchants, optimise space and energy consumption, and increase operation and efficiency, 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. The golf course closed for 71 days in a row due to the pandemic in the first half of the year. Upon work resumption on June, work was arranged orderly in the golf course, and the number of games and the revenue in this month recorded a new high. The revenue and profit remained stable during operation.

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 Lake Malaren 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.

BUSINESS OUTLOOK

In terms of real estate policies, the core goal is to stabilise the real estate market. Houses are for living in, and city-specific policies are implemented to support rigid and housing improvement needs. The aim is to ensure house delivery and stabilise people's livelihoods. Efforts are expected to be intensified to implement policies in the short term. In the medium and long term, the correction of the housing market is expected to accelerate the optimisation of the supply side of the industry. Some companies may withdraw from the market or downsize projects. This will gradually change the past phenomenon of "high land price, low profit". The optimisation will test the operating ability of real estate developers, and those with strong operating ability are expected to stand out.

The Group will continuously strengthen the operating ability by leveraging its advantages and continuing its focus on the real estate business in the second half of 2022. On the premise of "stable cash flow and risk resolution", the Group will make efforts on basic development and operation, improve management efficiency, reduce the impact of external adverse factors to stand out.

It will also efficiently execute solutions of activating assets and increasing sales, with a view to seeking sustainable development. It will build professional teams with industry competitiveness. Based on the progress of project development and the needs of platform establishment, the Group will supplement and optimise the talent structure, establish and improve the incentive system, recruit and select talents in a market-based manner, in order to comprehensively enhance its competitiveness. It will diversify businesses when appropriate to seek diversified development. The Group will stay true to its original aspiration of focusing on real estate development and urban operation renewal, and ensure stable operation and long-term development in the industry.

HUMAN RESOURCES

As at 30 June 2022, the Group had 389 employees in Hong Kong and Mainland China. Total staff costs of the Group excluding Directors' remuneration, for the six months ended 30 June 2022 amounted to approximately RMB46.99 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 2022.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

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 2022 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2022, 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 2022 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%
Ms. He Pei Pei *(Note 4)*	160,000	0.0008%
Mr. Lu Jianhua *(Note 5)*	2,258,000	0.01%
Public *(Note 6)*	5,905,442,332	28.71%
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. Ms. He Pei Pei is the spouse of Zhuo Fumin, an independent non-executive Director.

5. Mr. Lu Jianhua is a non-executive Director.

6. 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, 5,905,442,332 shares (representing approximately 28.71% 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 of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.sre.com.hk). The interim report of the Company for 2022 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 2022

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. Pan Pan; and three independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai and Mr. Ma Lishan.

* *For identification purpose only*