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 2023

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2023
Revenue (RMB'000)	146,304
Loss attributable to owners of the Company (RMB'000)	(408,801)
Basic loss per share (RMB cents)	(1.99)
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 2023 together with comparative figures for the corresponding period in 2022. The unaudited interim financial information of the Company for the six months ended 30 June 2023 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 2023

(Amounts presented in thousands of Renminbi unless otherwise stated)

		For the six months ended 30 June	
		2023	2022
	Notes	**Unaudited**	Unaudited
Revenue	*3*	**146,304**	106,105
Cost of sales		**(83,010)**	(36,251)
Gross profit		**63,294**	69,854
Net impairment losses on financial assets		**–**	(3,228)
Other income	*4*	**38,511**	52,264
Other (losses)/gains – net	*4*	**(197,234)**	3,617
Selling and marketing expenses		**(9,554)**	(7,205)
Administrative expenses		**(61,891)**	(54,540)
Operating (loss)/profit		**(166,874)**	60,762
Finance income		**3,376**	232
Finance costs		**(213,199)**	(187,444)
Finance costs – net		**(209,823)**	(187,212)
Share of results of associates		**(535)**	2,931
Share of results of joint ventures		**(4,341)**	(23,475)
Loss before income tax		**(381,573)**	(146,994)
Income tax expense	*5*	**(14,031)**	(7,464)
Loss for the period		**(395,604)**	(154,458)

	Notes	For the six months ended 30 June	
		2023	2022
		Unaudited	Unaudited
Other comprehensive income, net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**23,189**	72,611
Total comprehensive loss for period		**(372,415)**	(81,847)
Profit/(Loss) attributable to:			
Owners of the Company		**(408,801)**	(147,020)
Non-controlling interests		**13,197**	(7,438)
		(395,604)	(154,458)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(385,612)**	(74,409)
Non-controlling interests		**13,197**	(7,438)
		(372,415)	(81,847)
Losses per share attributable to owners of the Company	*6*		
– Basic		**RMB(0.0199)**	RMB(0.0071)
– Diluted		**RMB(0.0199)**	RMB(0.0071)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**30 June 2023 Unaudited**	31 December 2022 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**301,871**	309,531
Investment properties		**4,075,400**	4,075,400
Right-of-use assets		**248,027**	254,118
Investments in associates		**961,380**	965,065
Investments in joint ventures		**3,256,342**	2,857,743
Deferred tax assets		**16,662**	9,051
Financial assets at fair value through other comprehensive income		**39,955**	39,955
		8,899,637	8,510,863
Current assets			
Prepaid land lease payments		**698,524**	722,609
Properties held or under development for sale		**1,752,234**	1,712,395
Inventories		**1,929**	1,091
Trade receivables	*8*	**39,173**	44,713
Other receivables		**1,671,362**	1,601,892
Prepayments and other current assets		**37,249**	27,968
Prepaid income tax		**6,755**	4,549
Other financial assets at amortised cost		**1,360,413**	1,180,358
Cash and cash equivalents		**129,592**	100,699
Restricted cash		**19,290**	4,380
Assets classified as held for sale		**19,091**	19,091
		5,735,612	5,419,745
Total assets		**14,635,249**	13,930,608

	Notes	30 June 2023 Unaudited	31 December 2022 Audited
EQUITY AND LIABILITIES			
EQUITY			
Issued share capital and share premium		**6,747,788**	6,747,788
Other reserves		**258,413**	235,224
Accumulated losses		**(3,394,151)**	(2,985,350)
Equity attributable to owners of the Company		**3,612,050**	3,997,662
Non-controlling interests		**291,459**	278,262
Total equity		**3,903,509**	4,275,924
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**3,862,741**	3,343,339
Lease liabilities		**28,009**	28,916
Deferred tax liabilities		**1,351,352**	1,339,621
Other non-current liabilities		**275,298**	275,298
		5,517,400	4,987,174
Current liabilities			
Interest-bearing bank and other borrowings		**1,250,490**	1,109,278
Lease liabilities		**3,331**	4,141
Contract liabilities		**244,048**	133,640
Trade payables	*9*	**421,433**	457,307
Other payables and accruals		**2,487,398**	2,151,819
Provision for losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract		**206,000**	206,000
Current income tax liabilities		**601,640**	605,325
		5,214,340	4,667,510
Total liabilities		**10,731,740**	9,654,684
Total equity and liabilities		**14,635,249**	13,930,608

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 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

Going concern basis

As at 30 June 2023, the Group's current liabilities included RMB1,250.5 million of borrowings, out of which RMB890.0 million were defaulted and became immediately repayable if requested by the lenders. As at 30 June 2023, however, the Group's cash and cash equivalents was RMB129.6 million only.

The defaults of these borrowings were triggered by (1) the 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 executive director and the former chief executive officer and chairman of the board of director of the Company, and the detention of Mr. Chen Donghui, a former executive director of the Company, by the relevant authorities in the PRC in January and February 2020; and (3) the default of a joint venture (the "**JV**") syndicated bank loan guaranteed by the Group. In addition, the continuous default of the JV's syndicated bank loan resulted in the relevant lenders having the right to demand, and the relevant lenders have demanded, the Group to fulfill its guarantee obligation to repay the loan, including an outstanding principal of RMB4,451.8 million and related interests and bank fees as at 30 June 2023, and the relevant lenders will also have the right to apply for court's forcible execution, including but not limited to dispose of the Group's equity interests in the JV which were pledged as collateral for the guarantee. Subsequently in August 2023, the relevant lenders of the JV applied for the court to enforce their above rights.

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 arising from the default of the JV's syndicated bank loan:

(1) The Group initiated communication with the relevant lenders of the JV's syndicated bank loan on 29 June 2023 seeking the relevant lenders' support including but not limited to a further extension for the repayments of principals and overdue interests of the JV's syndicated bank loan, so that the JV and guarantors have more time to explore any other feasible means to arrange financing plans for the JV. The Group is also in negotiation with the other shareholder of the JV for the arrangement of providing additional shareholders' financing to the JV for interest repayments. For the Enforcement of Settlement Judgement, the Group will continue to communicate with the relevant lenders for its plans and measures from time to time, including but not limited to restructuring of the syndicated bank loan, disposal plan of the equity interests held to the JV, guidance from relevant government bodies and future development plan of the JV's project and so on, so that to persuade the relevant lenders to suspend or cease the Enforcement of Settlement Judgement and grant more time and extend the repayment date of the JV's syndicated bank loan. The directors believe the Group can convince the relevant lenders to suspend or cease the Enforcement of Settlement Judgement, and grant more time for the JV and the Group to arrange the financing.

(2) The Group and its ultimate holding company has communicated with relevant government bodies to seek support for the JV's and the Group's various efforts in restructuring the syndicated bank loan, and to seek extension of the repayment to 31 December 2024. The Group has not received response to such communication yet.

(3) The Group has developed a plan to dispose of the equity interest held to the JV and assign the rights under the JV's debts. The potential purchaser will be responsible for the restructuring of the syndicated bank loan so that the Group's guarantee obligation to the JV's syndicated bank loan can be released.

(4) The Group is also helping the JV to negotiate with other financial institutions to develop certain suitable plans to obtain future financing to restructure the syndicated bank loan and further development of the project of the JV. The Group is currently discussing these plans with all relevant parties including but not limited to the other shareholder of the JV, the relevant lenders of the JV's syndicated bank loan, and participating financial institutions.

The Group has also formulated following plans and measures to mitigate the liquidity pressure arising from the other defaults and improve its cash flows:

(1) The Group has been proactively communicating with the other lenders of the Group to explain 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 the contractual repayment schedules. The directors are confident to convince the other 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 been communicating with the Company's ultimate holding company and certain related parties to extend repayment of the certain borrowing which are repayable on demand. The directors are confident that the extension can be supported by these related parties.

(3) The Group has also planned various actions to improve its cash flows, which mainly include (a) speeding up the presale or sale the Group's properties completed or under development and collection of relevant proceeds; (b) sale of its investments in certain other joint ventures, development projects, and financial assets at a reasonable price; (c) collecting certain shareholder loans and receivables from a joint venture, etc. 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 the management, which covers a period of at least 12 months from 30 June 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the existing lenders of the Group will not demand immediate repayment of the existing loans of the Group due to above defaults, and relevant lenders of the JV's syndicated bank loan will suspend or cease the Enforcement of Settlement Judgement and grant further extension of the loans, overdue interests and bank fees so that the Group will not be enforced to fulfil its guarantee obligation for the syndicated bank loan of the JV and 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 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material multiple 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) successfully persuading the relevant lenders of JV's syndicated bank loan to suspend or cease the Enforcement of Settlement Judgement and grant further necessary extension for repayment of overdue amounts under the syndicated bank loan, and agreement by the other shareholder of the JV to provide funds that are necessary for the JV's repayment of the interests of the syndicated bank loan;

(ii) successful in obtaining support from relevant government bodies for the extension and restructuring of the JV syndicated bank loan;

(iii) successful in disposing the equity interest held to the JV and assigning the rights under the JV's debts;

(iv) successful in agreement of an alternative financing plan for the JV by all relevant parties and in obtaining the fundings necessary for restructuring of the JV's syndicated bank loan and for future development of the project of the JV;

(v) 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 of the Group to exercise their contractual rights to demand immediate repayment of the relevant loans;

(vi) successful extension of certain short-term borrowings from ultimate holding company and its related parties; and

(vii) successful speed-up and timely collection of proceeds from sales and presales activities, successful and timely sale of the Group's investment in certain other joint ventures, development project, and financial assets at a reasonable price, as well as timely collection of shareholder loan and receivables from a joint venture.

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 consolidated financial statements.

1.3 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 2022.

New amendments to HKFRSs adopted by the Group in 2023

The Group adopts the following amendments to HKFRSs effective for the financial year ending 31 December 2023.

– HKFRS 17 – Insurance Contracts

– Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

– Amendments to HKAS 8 – Definition of Accounting Estimates

– Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

– Amendments to HKAS 12 – OECD Pillar Two Rules

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 2023, 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.

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 2023 (Unaudited)			
	Property development	**Property leasing**	**Other operations**	**Total**
Segment revenue				
Sales to external customers	**73,874**	**60,085**	**12,345**	**146,304**
Intersegment sales	**–**	**–**	**2,353**	**2,353**
	73,874	**60,085**	**14,698**	**148,657**
Reconciliation:				
Elimination of intersegment sales				**(2,353)**
Revenue				**146,304**
Segment profit	**39,761**	**15,044**	**(20,024)**	**34,781**
Finance income				**3,376**
Finance costs				**(213,199)**
Finance costs – net				**(209,823)**
Share of results of associates				**(535)**
Share of results of joint ventures				**(4,341)**
Provision for impairment of investment in joint ventures				**(201,655)**
Loss before income tax				**(381,573)**

	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)

3. REVENUE

An analysis of revenue is as follows:

	(Unaudited) For the six months ended 30 June	
	2023	2022
Revenue from contracts with customers recognized at a point in time		
– Revenue from sale of properties	**74,615**	10,263
– Revenue from hospital service	**3,764**	5,125
	78,379	15,388
Revenue from contracts with customers recognized over time		
– Revenue from properties management	**19,448**	11,450
– Revenue from hospital service	**7,742**	17,380
	27,190	28,830
Revenue from property leasing	**40,928**	61,955
Other revenue	**904**	365
Less: Tax and surcharges (a)	**(1,097)**	(433)
Total revenue	**146,304**	106,105

(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 AND OTHER (LOSSES)/GAINS – NET

An analysis of other income is as follows:

	(Unaudited) For the six months ended 30 June 2023	2022
Interest income from receivables due from related parties	**38,511**	49,088
Gain from guarantee and consultation service provided to a joint venture	**–**	3,176
	38,511	52,264

An analysis of other (losses)/gains – net is as follows:

	(Unaudited) For the six months ended 30 June 2023	2022
Impairment of investment in joint ventures	**(201,655)**	–
Net gain on disposal of property, plant and equipment	**3**	121
Net gain on disposal of an associate	**171**	3,576
Others	**4,247**	(80)
	(197,234)	3,617

5. INCOME TAX EXPENSE

	(Unaudited) For the six months ended 30 June 2023	2022
Current taxation		
– Mainland China income tax (a)	**13,450**	(1,770)
– Mainland China LAT (c)	**(4,150)**	733
	9,300	(1,037)
Deferred taxation		
– Mainland China income tax	**4,731**	6,832
– Mainland China withholding tax (d)	**–**	1,669
	4,731	8,501
Total tax charge for the period	**14,031**	7,464

(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 (2022: 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% (2022: 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 loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 20,564,713 thousand (2022: 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 2023 and 2022, 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 2023	For the six months ended 30 June 2022
Earnings		
Loss attributable to owners of the Company	**(408,801)**	(147,020)

	Number of shares	
	For the six months ended 30 June 2023 ***(Thousand shares)***	For the six months ended 30 June 2022 *(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 2023 and the date of issuance of this interim financial information.

7. DIVIDEND

On 17 April 2024, the Board resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022: Nil).

8. TRADE RECEIVABLES

	30 June 2023 Unaudited	31 December 2022 Audited
Trade receivables	**72,787**	78,327
Less: Provision for impairment	**(33,614)**	(33,614)
	39,173	44,713

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 2023 Unaudited	31 December 2022 Audited
Within 6 months	**7,556**	9,948
6 months to 1 year	**33,569**	35,314
1 to 2 years	**2,854**	4,258
Over 2 years	**28,808**	28,807
	72,787	78,327

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 2023 Unaudited	31 December 2022 Audited
Within 1 year	**220,926**	231,891
1 to 2 years	**25,438**	15,401
Over 2 years	**175,069**	210,015
	421,433	457,307

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 2023 (the "**Reporting Period**"), the Group recorded a net revenue of approximately RMB146 million (six months ended 30 June 2022: RMB106 million), which represents an increase by approximately 38% compared with that of the corresponding period of last year. Loss attributable to owners of the Company for the six months ended 30 June 2023 amounted to approximately RMB409 million while loss attributable to owners of the Company for the corresponding period of last year was approximately RMB147 million. Such increase in loss was mainly attributable to (1) the rapid realization of certain properties which resulted in a decrease in gross profit margin, despite property sales, rentals and operational revenue showing improvement as compared to the previous year; (2) an increase in interest-bearing liabilities leading to a year-on-year increase in interest expenses; and (3)provision for impairment on investments in certain joint ventures based on market situation.

The Board resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022: Nil).

Liquidity and Financial Resources

As at 30 June 2023, cash and bank balances (including cash and cash equivalents and restricted deposits) amounted to approximately RMB149 million (31 December 2022: approximately RMB105 million). Working capital (net current assets) of the Group as at 30 June 2023 amounted to approximately RMB521 million (31 December 2022: approximately RMB752 million), representing a decrease by approximately 31% as compared with the end of the previous year. Current ratio was at 1.10 (31 December 2022: 1.16).

As at 30 June 2023, the Group's gearing ratio was 56% (31 December 2022: 50%), 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 2023, the Group's interest-bearing liabilities amounted to RMB5,113 million, representing 35% of total assets. In respect of financing sources, bank borrowings, shareholder loans and other borrowings accounted for 15%, 70% and 15% respectively. In respect of types of interest rates, liabilities with fixed interest rates accounted for 85% and liabilities with floating interest rates accounted for 15%. In respect of currencies, RMB liabilities and foreign currencies liabilities accounted for 64% and 36% respectively.

Charges on Assets and Contingent Liabilities

As at 30 June 2023, the Group's bank and other borrowings of approximately RMB2,082 million (31 December 2022: approximately RMB1,465 million) were secured by mortgage of the Group's investment properties, property, plant and equipment and right-of-use assets, or by pledge of equity interests in a joint venture, 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 RMB91 million (31 December 2022: approximately RMB98 million) and these contracts were still effective as at 30 June 2023.

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.

As at 30 June 2023, the Group also provided guarantees to joint venture's syndicated bank loan of approximately RMB4,452 million (31 December 2022: approximately RMB4,452 million).

As at 30 June 2023, the Group provided a guarantee to a joint venture's bank borrowings of approximately RMB379 million (31 December 2022: approximately RMB280 million) from a assets management company.

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

In 2023, the international environment remained complex and volatile. As the first year of the initial recovery from the COVID-19 pandemic, the pandemic prevention and control in the first half of 2023 achieved a smooth transition. The domestic market was in the stage of stable reform and development, under which the development of the real estate industry was still severe, and sales and operations encountered various challenges. Overall real estate market failed to show obvious signs of recovery in supply and trading volume, and the confidence in purchasing properties in the market still needed to be restored. With the in-depth adjustment of macro policies in the real estate sector, the management team of the Company has spared no effort to actively respond to market changes, ensuring that the operation was carried out in an orderly manner.

During the Reporting Period, there was a clear differentiation in the regional market in the industry. In response to the market situation, the Group focused on stable corporate operation, actively promoted development and construction of real estate projects in domestic and foreign key cities, and made progress in the orderly and steady operation of held-for-use commercial assets. Based on the specific operation data, in the first half of the year, the overall revenue of SRE Group remained relatively stable with better cost control. The primary focuses of business development of the Group were achieving stable cash flow and raising net profits.

PROPERTY DEVELOPMENT BUSINESS

Sales Progress

In the first half of 2023, major projects for sale of the Group and its joint ventures and associates mainly included Changsha Albany Oasis, Shanghai Lake Malaren Mansions, Shanghai Huating Project, 75 Howard in the USA and Shanghai Albany Oasis Garden. During the first half of 2023, the Group together with its joint ventures and associates achieved total contract sales of approximately RMB311 million for a total floor area of 23,889 m^2.

Project	**Amount of Sales Contracts** *(RMB'000)*	**Contractual Gross Area** *(m^2)*
Changsha Albany Oasis	156,000	16,450
Shanghai Lake Malaren Mansions	78,996	2,349
Shanghai Huating Project	49,689	3,423
75 Howard Project in the USA	16,299	150
Shanghai Albany Oasis Garden	4,401	422
Other projects	5,718	1,095
Total	311,103	23,889

Land Bank

As at 30 June 2023, the Group owned a land bank with a total gross floor area of approximately 1.44 million m^2 (including those of the Group's joint ventures and associates) in Shanghai, Jiaxing, Changsha, Dalian, Beijing, San Francisco, Phnom Penh, etc.

Property Development Business

Shanghai Lake Malaren World

During the year ended 31 December 2023, the Group prioritized the progress of the construction project. The first section of the project was scheduled to be delivered on 30 September 2023, of which relevant processes such as pre-completion and filing acceptance for environmental hygiene, sanitation and civil defense were completed. The current focus is on completing the final stages of auxiliary landscape works. In the second half of the year, the key objective was to obtain the completion filing certificate for the first section and ensure timely delivery as scheduled to facilitate the sales of the project.

Changsha Albany Oasis

During the first half of the year ended 31 December 2023, the high voltage electrical, firefighting, and civil defense works for batch 1 #, 2 #, 3 # and 6 # of the first phase were basically completed, while the public areas and landscaping works reached 80% completion. The second batch, consisting of 7 # to 10 # of the first phase, progressed as schedule. By virtue of reputable local educational resources in Qingzhuhu Xiangyi Foreign Languages School upon entering into a contract to run a school, the project witnessed an enhanced level of sales. The project was intended to achieve the overall delivery of the first batch of four buildings in the first phase by 30 September 2023.

Jiaxing Project

The project is currently in the final stage of settlement. Afterward, there will be ongoing follow-up on the outcome of the land appreciation tax settlement for Phase II of Lanwan.

Dalian Albany Mansions

Preparations were made proactively for pre-development for the project to sort out the preliminary information of the project and deepen the operation plan. The Group laid out the operation nodes and cash flow and addressed historical issues in the early stage to achieve stable operation of the project.

Romduol City in Phnom Penh, Cambodia

The wet operation of sold apartments and the adjacent common areas within the project was 100% completed. The construction of the bedding layer of the west retaining wall was completed, and the construction of new sales office was completed and subsequent delivery to customers was well prepared. At the same time, efforts were made to actively engage with major clients. Taking advantage of the demolition of the original sales office, the street-facing display has provided opportunities, initiating the leasing and sales of commercial units within the project, thereby further expanding channels and strengthening sales.

75 Howard in the USA

The project has obtained the final completion certificate. Despite unfavorable conditions such as the continuous interest rate hikes by the Federal Reserve and stagnant sales, the project achieved a breakthrough in signing contracts in the second quarter, successfully completed the loan restructuring process and obtained external financing cashflow injection in June 2023, ensuring the operational security of the project. Moving forward, the Group will continue to expand sales channels to promote sales.

Requisitioning

Shanghai Daxing Street Project

The requisitioning for the project has entered the final phase. As at the end of June 2023, the aggregate signing rate of households for requisitioning was 99.41%, and the aggregate relocation rate was 98.71%; The aggregate signing rate of requisitioning units was 100%, and the aggregate relocation rate was 95.35%. There were two remaining certificate holders yet to be relocated (environmental hygiene and public toilets).

Shanty Town Renovation Project in Zhangjiakou

Integrating the sales market conditions of local real estates, the Group will study the discussion on the asset revitalization plans with the government and intend to advance the signing of supplemental agreements or replacement agreements to realize the revitalization of project assets.

Commercial property operation

In the first half of 2023, in terms of commercial operation, various commercial property units combined the Group's advantages in commercial management to continuously enhance the quality of commercial operation and management, thereby improving the quality and efficiency of asset projects. Despite the adverse factors such as the recovery stage of the business environment impacted by the COVID-19 pandemic and the general decline in leasing capacity of tenants, the Group's commercial properties maintained stable operation. Each commercial operation unit would strive to enhance refined management of projects, such as systematic monthly operation analysis, optimization of daily operation and property management procedures. The Group plans to further improve process efficiency and data transparency by adopting a business management system, aiming to maximize the value of commercial assets in the future.

Shanghai Oasis Central Ring Center

As a landmark of the Shanghai Central Ring business district, the project is created by adopting the design of a complex eco-business cluster in the form of a circular commercial street connected with office buildings. The project focused on commercial brand upgrades by introducing chain brands such as Starbucks, KFC, and Domino's Pizza, further enhancing the vitality of commercial operation and improve the occupancy rate.

Shanghai Lake Malaren Exotic Street

The project focuses on creating an exotic town with a "micro-vacation sports and leisure" theme. Based on Nordic architectural styles, different functional areas are shaped. Integrating services such as dining, sports and leisure, retail and cultural communities have created an open-air leisure space. In the first half of the year, the project has been attracting various high-quality merchants and continuously innovating marketing activities. This has led to a record-breaking increase in customer traffic, gradually establishing the project as a new landmark for consumption in Baoshan.

Lake Malaren Obstetrics and Gynecology Hospital

Lake Malaren Obstetrics and Gynecology Hospital is a specialist obstetrics and gynecology hospital that integrates medical treatment, education, prevention, healthcare and rehabilitation. It has several departments such as obstetrics and gynecology and neonatology. In the first half of the year, under the market environment of declining birth rates, the hospital made continuous efforts to increase revenue and reduce costs through high-quality medical services, efficient management, technological innovation, marketing and talent training. Additionally, in line with the development of the age and changes in the needs of patients, the hospital has continuously adjusted and optimized its business strategies, including but not limited to exploring external partnerships and other methods to ultimately improve the hospital's asset yield.

Shenyang Rich Gate Shopping Mall

The project relies on children's education and parent-child themed service industry, while gradually introducing interactive business formats related to health and better lifestyles, which aims to further enhance the competitiveness of commercial operation. By reorganizing the business layout and project strategic positioning, and strengthening merchandize control through introduction of main stores such as "Wanzhong Cinema (萬眾影城)" and "Magic Cube Town (魔方小鎮)", the occupancy rate has shown a positive trend from April onwards, with a steady increase in signing and leasing rates in the first half of the year. In the second half of the year, the tenant sourcing team will focus on expanding brand resources to secure rental income throughout year.

BUSINESS OUTLOOK

In the first half of 2023, the market was still under adjustment, with the cumulative results of the top 100 enterprises in the industry continuing to show negative growth trend and clear layout of differentiation among property developers. In terms of policies, firstly, on the demand side, favorable policies such as lowering down payments and interest rates were gradually implemented in various regions. Secondly, on the supply side, local policies were released to alleviate the financial pressure on property developers. In the first half of the year, policy measures tended to be "supported but not strengthened" without major stimulating policies. However, it was expected that in the second half of the year, "combination of supportive and strengthening policies" would continue to stimulate the property market and promote sales recovery. In terms of industry development, the overall property industry in the current stage has maintained a stable yet fluctuating pattern. Although the first quarter experienced an "Indian summer" in the market, there was a subsequent decline after the release of pent-up demand from the "post-pandemic period". It was expected that the market would continue to be in a phase of volatile recovery cycle in the second half of the year. It would take time for the improvement in market confidence, but the economic recovery of the and the boost in consumer confidence would contribute to the steady development of commercial operation and sales of properties.

In the second half of 2023, the Group maintained stable operation of its core businesses, focused on key areas such as collection of sales proceeds from development projects, revitalization of property assets, debt collection, debt restructuring and risk mitigation, adhered to the principle of "focusing on risks, ensuring corporate security, and achieving annual operational targets", and made solid efforts in corporate operation. Firstly, in terms of property development, the Group has established reasonable operational plans with a focus on timely delivery, maintained stable cash flow and operational safety by "sales-based production", implemented refined management and control over construction projects, ensured completion of delivery milestones as scheduled, and achieved steady growth in sales collection. Secondly, in terms of operation of commercial properties, the Group has enhanced overall revenue through four key aspects: "asset operation", "asset revitalization", "performance management", and "incentive systems". Thirdly, in terms of strengthening cash flow management, the Group has addressed various debt risks in an orderly manner. Fourthly, in terms of generating new business revenue, the Group would leverage the establishment of the property service management platform to create additional business profits by commencing renovation of operation of parking lots and expanding property management rights. Fifthly, in terms of team building, the Group would comply with the principle of "one person with multiple positions and one specialty with multiple capabilities" to continuously improve individual productivity and enhance overall professional competitiveness of the team.

HUMAN RESOURCES

As at 30 June 2023, the Group had 372 employees in Hong Kong and Mainland China. Total staff costs of the Group excluding Directors' remuneration, for the six months ended 30 June 2023 amounted to approximately RMB48 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 2023.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 C3 (previously known as 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 2023.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chui Man Lung, Everett, Mr. Zhuo Fumin, and Mr. Ma Lishan with written terms of reference in compliance with the Listing Rules. Mr. Chui Man Lung, Everett is the chairman of the Audit Committee. These unaudited condensed consolidated interim results for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2023, 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 Part 2 of Appendix C1 (previously known as Appendix 14) of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of equity interests in two subsidiaries and assignment of loan

On 6 February 2024, the Group entered into two disposal agreements with CMI Financial Holding Corporation (an indirect wholly-owned subsidiary of China Minsheng Investment Corp. Ltd.* (中國民生投資股份有限公司), a controlling Shareholder and ultimate holding company of the Group), subject to conditions, to (1) sell 100% equity interest of Bowin International Limited (a wholly-owned subsidiary of the Group) at the consideration of approximately US$15.37 million and assign a loan together with all rights, title, interest and benefits at the consideration of approximately US$5.93 million; and (2) sell 7.66% equity interest of Cheswing Limited (a wholly-owned subsidiary of the Group) at the consideration of US$4 million. For details of the two disposal agreements and the transactions contemplated thereunder, please refer to the Company's announcement in relation to the major transaction and connected transaction dated 6 February 2024. As at the date of this announcement, the transactions contemplated thereunder have not been completed and are subject to Shareholders' approval at general meeting.

(b) One government office withdrew a legal proceeding

In March 2023, one government office filed a legal claim against the Company and one subsidiary in the People's Republic China (the "**PRC**"), demanding the Group and the subsidiary to repay entire loan payables principal of RMB81 million and related interests, and requested the court to seize two pieces of land of the Group located in Dalian. The Group reached a settlement agreement with the above government office in March 2024. Subsequently, a withdrawal of the legal proceeding was submitted by the government office and approved by the court in April 2024, and the previously seized two pieces of land were released accordingly.

(c) Disposal of equity interest in a joint venture and assignment of rights under certain debts

In April 2024, the Group conditionally entered into a disposal agreement with Zhongchong Investment Group Co., Ltd* (中崇投資集團有限公司) (an independent third party of the Company) to dispose of the 51% of equity interest of Shanghai Jinxin Property Co., Ltd.* (上海金心置業有限公司) (a joint venture of the Group) and assign the rights under certain debts of the joint venture, at an aggregate consideration of RMB3.41 billion (subject to adjustment) less the Ningbo Zhongqing Payment. For details of the disposal agreement and the transactions contemplated thereunder, please refer to the Company's announcement in relation to the very substantial disposal dated 8 April 2024.

(d) Change of executive Director, chairman of the Board, chairman of the Nomination Committee, chairman of the Investment Committee, Process Agent and Authorised Representative

With effect from 11 July 2023, Mr. Hong Zhihua has resigned from all positions in the Company (including executive Director, chairman of the Board, chairman of the Nomination Committee and the Investment Committee of the Company, authorised representative of the Company for accepting service of process and notices on behalf of the Company in Hong Kong ("**Process Agent**") and authorised representative of the Company ("**Authorised Representative**") under Rule 3.05 of the Listing Rules). As replacement, with effect from 11 July 2023, Mr. Qin Guohui has been appointed as an executive Director, the chairman of the Board, chairman of the Nomination Committee and the Investment Committee of the Company, Process Agent and Authorised Representative. For details, please refer to the Company's announcement dated 11 July 2023 in relation to the change of executive Director, chairman of the Board, chairman of the Nomination Committee, chairman of the Investment Committee, Process Agent and Authorised Representative.

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)*	1,987,261,390	9.66%
Jiayou (International) Investment Limited *(Note 3)*	134,092,000	0.65%
Ms. He Pei Pei *(Note 4)*	160,000	0.0008%
Mr. Lu Jianhua *(Note 5)*	2,258,000	0.01%
Public *(Note 6)*	5,940,942,332	28.90%
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, 5,940,942,332 shares (representing approximately 28.90% 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.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company (the "**Shares**") on the Stock Exchange was suspended from 9:00 a.m. on 3 April 2023 and will continue to be suspended, pending the fulfilment of the resumption guidance and the grant of approval of the Stock Exchange for the resumption of trading of the Shares.

Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

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 the six months ended 30 June 2023 containing all the information required by Appendix D2 (previously known as 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
Qin Guohui
Chairman

Hong Kong, 17 April 2024

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Qin Guohui, 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. Ma Lishan and Mr. Chui Man Lung, Everett.

* *For identification purpose only*