SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司
(Stock Code: 1207)

INTERIM REPORT

SRE GROUP LIMITED

2017

Group Financial Highlights

	For the six months ended 30 June 2017
Revenue (RMB'000)	**519,591**
Net profit attributable to owners of the Company (RMB'000)	**622,749**
Basic earnings per share (RMB cents)	**3.03**
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 2017 together with comparative figures for the previous corresponding period in 2016. The unaudited interim financial statements for the six months ended 30 June 2017 have been reviewed by the Company's Audit Committee.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	For the six months ended 30 June 2017 Unaudited	2016 Unaudited (Restated) Note 1.3(a)
Continuing operations			
Revenue	3	519,591	236,004
Cost of sales		(470,961)	(264,500)
Gross profit/(loss)		48,630	(28,496)
Gains from disposal of subsidiaries	18	1,141,944	677,099
Other losses – net		(10,321)	(15,467)
Selling and marketing expenses		(25,871)	(38,878)
Administrative expenses		(149,653)	(176,626)
Operating profit		1,004,729	417,632
Finance income		10,008	12,895
Finance costs		(245,105)	(170,477)
Finance costs – net		(235,097)	(157,582)
Share of results of associates	7	45,387	(8,486)
Share of results of joint ventures	8	(1,457)	(40)
Profit before income tax		813,562	251,524
Income tax expense	4	(186,669)	(172,247)
Profit for the period from continuing operations		626,893	79,277
Discontinued operation			
Loss for the period from discontinued operation	20	–	(16,337)
Profit for the period		626,893	62,940

For the six months ended 30 June 2017 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	For the six months ended 30 June 2017 Unaudited	2016 Unaudited (Restated) Note 1.3(a)
Other comprehensive income, net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences		10,948	–
Total comprehensive income for the period		637,841	62,940
Profit/(loss) attributable to:			
Owners of the Company		622,749	89,804
Non-controlling interests		4,144	(26,864)
		626,893	62,940
Profit/(loss) attributable to owners of the Company from:			
Continuing operations		622,749	98,953
Discontinued operation		–	(9,149)
		622,749	89,804
Total comprehensive income attributable to:			
Owners of the Company		633,697	89,804
Non-controlling interests		4,144	(26,864)
		637,841	62,940
Total comprehensive income attributable to owners of the Company from:			
Continuing operations		633,697	98,953
Discontinued operation		–	(9,149)
		633,697	89,804

For the six months ended 30 June 2017 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	For the six months ended 30 June 2017 Unaudited	2016 Unaudited (Restated) Note 1.3(a)
Earnings/(loss) per share from continuing operations and discontinued operation attributable to owners of the Company	5		
– Basic			
From continuing operations		**RMB 0.0303**	RMB 0.0048
From discontinued operation		**–**	RMB (0.0004)
		RMB 0.0303	RMB 0.0044
– Diluted			
From continuing operations		**RMB 0.0303**	RMB 0.0048
From discontinued operation		**–**	RMB (0.0004)
		RMB 0.0303	RMB 0.0044

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	30 June 2017 Unaudited	31 December 2016 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		748,210	762,600
Investment properties		5,310,201	5,270,895
Prepaid land lease payments		206,494	208,759
Goodwill		16,271	16,271
Investments in associates	7	1,008,042	962,655
Investments in joint ventures	8	4,197,525	1,281,119
Deferred tax assets		242,837	242,837
Available-for-sale investments		380,806	380,806
Other non-current assets	9	1,178,008	71,519
		13,288,394	9,197,461
Current assets			
Prepaid land lease payments		2,086,336	2,632,148
Properties held or under development for sale		3,089,844	3,197,085
Inventories		718	620
Trade receivables	10	26,816	24,863
Other receivables		2,688,519	1,678,141
Prepayments and other current assets		314,866	373,513
Prepaid income tax		109,784	96,623
Available-for-sale investments		139,000	262,000
Loans and receivables		165,000	165,000
Cash and cash equivalents	11	1,579,238	1,509,924
Restricted cash	11	271,340	2,933
		10,471,461	9,942,850
Assets classified as held for sale	19	428,234	3,570,569
		10,899,695	13,513,419
Total assets		24,188,089	22,710,880

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	30 June 2017 Unaudited	31 December 2016 Audited
EQUITY AND LIABILITIES			
EQUITY			
Issued capital and premium	12	**6,747,788**	6,747,788
Other reserves		**238,529**	212,830
Retained profits/(accumulated losses)		**336,510**	(286,239)
Equity attributable to owners of the Company		**7,322,827**	6,674,379
Non-controlling interests		**402,486**	377,682
Total equity		**7,725,313**	7,052,061
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	13	**5,054,169**	2,847,984
Deferred tax liabilities		**1,420,521**	1,260,879
		6,474,690	4,108,863
Current liabilities			
Interest-bearing bank and other borrowings	13	**4,450,368**	3,917,484
Advances received from the pre-sale of properties under development		**1,485,750**	1,141,086
Trade payables	14	**642,341**	792,301
Other payables and accruals		**1,986,169**	4,409,776
Current income tax liabilities		**986,770**	1,116,805
		9,551,398	11,377,452
Liabilities directly associated with the assets classified as held for sale	19	**436,688**	172,504
		9,988,086	11,549,956
Total liabilities		**16,462,776**	15,658,819
Total equity and liabilities		**24,188,089**	22,710,880

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 (Amounts presented in thousands of Renminbi unless otherwise stated)

(Unaudited)	From 1 January 2017 to 30 June 2017 Attributable to owners of the Company							
	Issued capital and premium	Surplus reserve	Exchange fluctuation reserve	Other reserves	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total Equity
At 1 January 2017	6,747,788	365,455	3,379	(156,004)	(286,239)	6,674,379	377,682	7,052,061
Comprehensive income								
Profit for the period	–	–	–	–	622,749	622,749	4,144	626,893
Other comprehensive income	–	–	10,948	–	–	10,948	–	10,948
Total comprehensive income for the period	–	–	10,948	–	622,749	633,697	4,144	637,841
Transactions with owners								
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	20,700	20,700
Share-based payments	–	–	–	14,711	–	14,711	–	14,711
Changes in ownership interests in a subsidiary without change of control	–	–	–	40	–	40	(40)	–
Total transactions with owners, recognised directly in equity	–	–	–	14,751	–	14,751	20,660	35,411
At 30 June 2017	6,747,788	365,455	14,327	(141,253)	336,510	7,322,827	402,486	7,725,313

(Unaudited and Restated, Note 1.3(a))	From 1 January 2016 to 30 June 2016 Attributable to owners of the Company							
	Issued capital and premium	Surplus reserve	Exchange fluctuation reserve	Other reserves	Accumulated losses	Total	Non-controlling interests	Total Equity
At 1 January 2016	6,747,788	340,425	7,008	(199,357)	(492,969)	6,402,895	332,742	6,735,637
Comprehensive income								
Profit/(loss) for the period	–	–	–	–	89,804	89,804	(26,864)	62,940
Transactions with owners								
Disposal of subsidiaries	–	–	–	–	–	–	(121,663)	(121,663)
At 30 June 2016	6,747,788	340,425	7,008	(199,357)	(403,165)	6,492,699	184,215	6,676,914

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	For the six months ended 30 June 2017 Unaudited	2016 Unaudited (Restated) Note 1.3(a)
Cash flows from operating activities			
Cash (used in)/from operations	16	**(1,264,350)**	75,908
Interest paid		**(114,821)**	(373,816)
Income tax paid		**(171,101)**	(48,511)
Net cash flows used in operating activities		**(1,550,272)**	(346,419)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(593)**	(1,247)
Proceeds from disposal of property, plant and equipment		**6**	1,874
Proceeds from disposal of subsidiaries		**(1,237)**	790,155
Proceeds from disposal of available-for-sale investments		**358,200**	–
Addition of available-for-sale investments		**(235,200)**	(500)
Reduction of capital of a joint venture		**20,000**	–
Investments in joint ventures		**(779,194)**	(67,600)
Prepayments for acquisition of certain real estate assets	9	**(1,104,000)**	–
Prepayments for certain assets to be acquired		**–**	(1,051,840)
Payment for other investment		**–**	(129,786)
Return of advances made to associates		**300,000**	1,024,794
Advance received in relation to a subsidiary to be disposed of		**410,000**	–
Advances to a joint venture		**(668,916)**	–
Dividends received from an associate		**–**	425
Interest received		**1,551**	7,461
Net cash flows (used in)/ from investing activities		**(1,699,383)**	573,736
Cash flows from financing activities			
Proceeds from borrowings		**7,811,570**	4,251,813
Repayments of borrowings		**(4,007,189)**	(4,554,831)
(Increase)/decrease in pledged bank deposits		**(214,000)**	346,250
(Increase)/decrease in restricted deposits in relation to bank borrowings		**(4)**	3,164
Repayment of advance from a related company		**(200,000)**	–
Capital injection from non-controlling interests		**20,700**	–
Advance to a non-controlling interest of a subsidiary		**(90,000)**	(347,413)
Net cash flows from/(used in) financing activities		**3,321,077**	(301,017)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	For the six months ended 30 June 2017 Unaudited	2016 Unaudited (Restated) Note 1.3(a)
Net increase/(decrease) in cash and cash equivalents		**71,422**	(73,700)
Cash and cash equivalents at beginning of period		**1,519,810**	1,430,759
Effect of foreign exchange rate changes, net		**(4,777)**	5,435
Cash and cash equivalents at end of period		**1,586,455**	1,362,494
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents		**1,579,238**	1,362,494
Cash and cash equivalents attributable to assets classified as held for sale		**7,217**	–
Cash and cash equivalents as stated in the statement of cash flows		**1,586,455**	1,362,494

The accompanying notes are an integral part of this interim condensed consolidated financial information.

1. Basis of Preparation and Accounting Policies

1.1 General information

SRE Group Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on Hong Kong Exchanges and Clearing Limited ("HKEx"), the Company became the holding company of the other companies comprising the Group on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company were listed on HKEx on 10 December 1999. The principal place of business of the Company was changed from Suites 1301-1302, 13th Floor, AIA Central, 1 Connaught Road Central, Hong Kong to Suite 1307, 13th Floor, AIA Central, 1 Connaught Road Central, Hong Kong on 15 November 2016, and will be changed to Suite 1001, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong with effect from 1 September 2017.

The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in real estate development and property leasing in Mainland China.

As at 30 June 2017, the Company's parent company is China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye"), which holds 60.78% of the Company's shares.

The interim condensed consolidated financial information is presented in thousands of Renminbi ("RMB"), unless otherwise stated.

1.2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", which does 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

1. Basis of Preparation and Accounting Policies (continued)

1.3 Significant accounting policies

(a) Change in presentation currency

Having considered most of the Group's revenue and business activities are conducted in Mainland China and the functional currency of those subsidiaries in the Mainland China are RMB, the Company has decided to adopt and use RMB as the presentation currency in presenting the financial performance and the financial position of the Group effective since the year ended 31 December 2016, so as to better reflect the underlying performance of the Group and for better alignment with the underlying business operations of the Group. As a result, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to RMB for the preparation of its financial statements.

The change in presentation currency has been applied retrospectively including the previous reported interim periods. Accordingly the items in the interim condensed consolidated statement of profit and loss and other comprehensive income for the six months ended 30 June 2016 were restated by translating the items from HK$ to RMB using the applicable average rates that approximated to actual rates. The interim condensed consolidated statements of changes in equity and cash flows for the six months ended 30 June 2016 were also restated correspondingly.

1. Basis of Preparation and Accounting Policies (continued)

1.3 Significant accounting policies (continued)

(b) Amendments to HKFRSs adopted by the Group in 2017

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the estimation of income tax for interim periods using the tax rate that would be applicable to expected total annual earnings and the adoption of the following amendments to HKFRSs effective for the financial year ending 31 December 2017.

- Amendments to HKAS 7 "Statement of Cash Flows" introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financial activities.

- Amendments to HKAS 12 "Income Taxes" clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- Amendments to HKFRS 12 "Disclosure of Interests in Other Entities" clarify that the disclosure requirements of HKFRS 12 are applicable to interests in entities classified as held for sale except for summarized financial information.

Adoption of the above amendments to HKFRSs did not have any material effect on the financial position or performance of the Group for the six months ended 30 June 2017, nor resulted 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.

1. Basis of Preparation and Accounting Policies (continued)

1.3 Significant accounting policies (continued)

(c) Impact of standards issued but not yet applied by the Group

(i) HKFRS 9 "Financial Instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- The debt instruments that are currently classified as available-for-sale (AFS) financial assets appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

- A FVOCI election is available for the equity instruments which are currently classified as AFS.

1. Basis of Preparation and Accounting Policies (continued)

1.3 Significant accounting policies (continued)

(c) Impact of standards issued but not yet applied by the Group (continued)

(i) HKFRS 9 "Financial Instruments" (continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

1. Basis of Preparation and Accounting Policies (continued)

1.3 Significant accounting policies (continued)

(c) Impact of standards issued but not yet applied by the Group (continued)

(ii) HKFRS 15 "Revenue from Contracts with Customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- Revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;

- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and

- Rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

1. Basis of Preparation and Accounting Policies (continued)

1.3 Significant accounting policies (continued)

(c) Impact of standards issued but not yet applied by the Group (continued)

(iii) HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2017, the Group does not have any material non-cancellable operating lease commitments.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

1. Basis of Preparation and Accounting Policies (continued)

1.4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

1.5 Financial risk management and financial instruments

1.5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since last year end.

1.5.2 Liquidity risk

Compared to last year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

1.5.3 Fair value estimation

There were no changes to the valuation techniques used during the current interim period as compared with last year end.

2. Operating Segment Information

For management purposes, the Group is organized into business units based on their products and services. In April 2016, the Group decided to make a strategic shift in its business focus and disposed all its 56% equity interest in Shanghai Skyway Hotel Co., Ltd. ("Skyway") which owned and operated the major hotel of the Group. Thereafter the Board considered that the remaining hotel operation after the disposal was no longer material to constitute a separate reportable segment and in the future, hotel operation will no longer be a business objective of the Group. The new reportable operating segments since the six months ended 30 June 2016 are as follows:

- The property development segment develops and sells residential and commercial properties;

- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;

The other operations comprises, principally, the corporate activities that are not allocated to segments and miscellaneous insignificant operations including the remaining small scale hotel operation and provision of property management services.

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.

(Amounts presented in thousands of Renminbi unless otherwise stated)

2. Operating Segment Information (continued)

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 2017 (unaudited)			
	Continuing operations			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	417,623	71,579	30,389	519,591
Intersegment sales	–	–	10,460	10,460
	417,623	71,579	40,849	530,051
Reconciliation:				
Elimination of intersegment sales				(10,460)
Revenue				519,591
Segment (loss)/profit	(40,619)	65,930	979,418	1,004,729
Finance income				10,008
Finance costs				(245,105)
Finance costs – net				(235,097)
Share of results of associates				45,387
Share of results of joint ventures				(1,457)
Profit before income tax				813,562

(Amounts presented in thousands of Renminbi unless otherwise stated)

2. Operating Segment Information (continued)

	Six months ended 30 June 2016 (unaudited) (Restated)					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Segment revenue						
Sales to external customers	125,934	33,228	76,842	236,004	38,760	274,764
Intersegment sales	–	–	7,526	7,526	–	7,526
	125,934	33,228	84,368	243,530	38,760	282,290
Reconciliation:						
Elimination of intersegment sales				(7,526)	–	(7,526)
Revenue				236,004	38,760	274,764
Segment (loss)/profit	(226,613)	17,846	626,399	417,632	1,567	419,199
Finance income				12,895	–	
Finance costs				(170,477)	(17,904)	
Finance costs – net				(157,582)	(17,904)	
Share of results of associates				(8,486)	–	
Share of results of joint ventures				(40)	–	
Profit/(loss) before income tax				251,524	(16,337)	

(Amounts presented in thousands of Renminbi unless otherwise stated)

3. Revenue

An analysis of revenue during the period is as follows:

	(unaudited) For the six months ended 30 June 2017	2016 (Restated)
Revenue from sale of properties	**417,769**	134,539
Revenue from property leasing	**74,438**	34,976
Revenue from property management	**8,320**	68,575
Revenue from construction of infrastructure for an intelligent network	**2,041**	4,654
Other revenue	**20,974**	7,394
	523,542	250,138
Less: Tax and surcharges *(a)*	**(3,951)**	(14,134)
Total revenue	**519,591**	236,004

(a) Tax and surcharges

Prior to 1 May 2016, business tax was calculated at 5% of the revenue from the sale of properties, hotel operations, the provision of property management services and property leasing and at 3% of the net income received from the construction of infrastructure for an intelligent network after deducting amounts payable to subcontractors.

Effective from 1 May 2016, the Group's revenue is subject to value-added tax ("VAT") which is deducted directly from the proceeds. The applicable VAT rate for the Group's revenue is as follows:

- Sale and lease of properties is subject to VAT at 11%. Qualified old projects, which are those with construction commenced on or before 30 April 2016, can adopt a simplified VAT method at a rate of 5% with no deduction of input VAT.
- Revenue from property management services is subject to VAT at 6%.
- Revenue from construction of infrastructure for an intelligent network is subject to VAT at 11%.

(Amounts presented in thousands of Renminbi unless otherwise stated)

3. Revenue (continued)

(a) Tax and surcharges (continued)

Government surcharges, comprising city maintenance and construction tax, education surtax and river way management fee, are calculated at certain percentages of business tax and VAT.

4. Income Tax

	(unaudited) For the six months ended 30 June 2017	2016 (Restated)
Current taxation		
– Mainland China income tax *(a)*	**14,133**	145,668
– Mainland China LAT *(c)*	**14,448**	1,619
	28,581	147,287
Deferred taxation		
– Mainland China income tax	**161,049**	31,168
– Mainland China LAT	**(1,522)**	(992)
– Mainland China withholding tax *(d)*	**(1,439)**	(5,216)
	158,088	24,960
Total tax charge for the period	**186,669**	172,247

(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.

4. Income Tax (continued)

(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 (2016: Nil).

(c) Mainland China land appreciation tax ("LAT")

LAT is incurred upon transfer of property ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 2% to 5% (2016: 2% to 5%) on proceeds of 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 the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from withholding tax.

(Amounts presented in thousands of Renminbi unless otherwise stated)

5. Earnings/(loss) per Share Attributable to Owners of the Company

The calculation of basic earnings/(loss) 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 (2016: 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 Company did not have any dilutive shares for the six months ended 30 June 2016 but the share options issued in the second half of 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 2017, 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 plus contractual exercise price of the option, the impact of exercise of the share options on earnings/(loss) per share is anti-dilutive.

For the six months ended 30 June 2016, diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share since the Company did not have dilutive shares.

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

	(Unaudited)	
	For the six months ended 30 June 2017	For the six months ended 30 June 2016 (Restated)
Earnings/(loss)		
Profit from continuing operations attributable to owners of the Company	**622,749**	98,953
Loss from discontinued operation attributable to owners of the Company	**–**	(9,149)
	622,749	89,804

(Amounts presented in thousands of Renminbi unless otherwise stated)

5. Earnings/(loss) per Share Attributable to Owners of the Company (continued)

	(Unaudited) Number of shares For the six months ended 30 June 2017 (Thousand shares)	For the six months ended 30 June 2016 (Thousand shares)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculations	**20,564,713**	20,564,713

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

6. Dividend

On 29 August 2017, the Board resolved not to declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

(Amounts presented in thousands of Renminbi unless otherwise stated)

7. Investments in Associates

	30 June 2017 Unaudited
Opening balance	962,655
– Mayson Resources Limited ("Mayson")	913,490
– Shanghai Telecom Broadband Networking Co., Ltd. ("Broadband")	28,766
– Shanghai Housing Industry New Technology Development Co., Ltd. ("New Technology")	15,529
– Shanghai Orda Opto-electronics Science & Tech Co., Ltd. ("Orda")	2,608
– Shang Xin Richgate Investment Management Co., Ltd. ("Richgate")	2,262
Share of results	
– Mayson	44,993
– Broadband	505
– New Technology	(102)
– Orda	(9)
– Richgate	–
Ending balance	1,008,042

(Amounts presented in thousands of Renminbi unless otherwise stated)

8. Investments in Joint Ventures

	30 June 2017 Unaudited
Opening balance	**1,281,119**
– Ningbo Meishan Free Trade Zone Zhi Miao Investment Center LLP (" Ningbo Meishan")	**997,000**
– Certain Business of Golden Luodian ("Relevant Business of Golden Luodian")	**202,595**
– Yunnan Ming Zhen Hospital Management Co., Ltd. ("Ming Zhen")	**52,772**
– SRegal Sinclair LLP("Sinclair")	**15,388**
– Jiangsu Da Run Sensor Technology Co., Ltd.("Da Run")	**13,364**
Addition of investment amount	
– Investment in Sinclair (a)	**100,377**
– Investment in Shanghai Jinxin Real Estate Co., Ltd. ("Jinxin Real Estate") (b)	**2,111,910**
– Investment in 75 Howard Owner LP("75 Howard") (c)	**631,190**
– Investment in Napa Lifestyle Holdings, LLC("NAPA") (d)	**103,873**
Reduction of investment amount	
– Investment in Ningbo Meishan (e)	**(20,000)**
Share of results	
– Ningbo Meishan	**(476)**
– Relevant Business of Golden Luodian	**(3,226)**
– Ming Zhen	**(675)**
– Da Run	**(25)**
– Jinxin Real Estate	**(550)**
– 75 Howard	**3,495**
Currency translation differences	**(9,487)**
Ending balance	**4,197,525**

8. Investments in Joint Ventures (continued)

(a) In January 2017, the Group paid the remaining consideration for Sinclair of approximately GBP12 million (equivalent to approximately RMB100 million).

(b) In April 2017, the Group disposed 49% of its equity interest and lost control in the originally wholly-owned subsidiary, Jinxin Real Estate. As such, Jinxin Real Estate became a joint venture of the Group after the transaction (Note 18(a)).

(c) In February 2017, the Group entered into an agreement with RDF 75 Howard LP to set up 75 Howard at a consideration of approximately USD92 million (equivalent to approximately RMB631 million) with 80% equity interest in 75 Howard.

(d) In May 2017, the Group entered into an agreement to set up NAPA at a consideration of approximately USD15 million (equivalent to approximately RMB104 million) with 78.53% equity interest in NAPA.

(e) In May 2017, the Group reduced its investment in Ningbo Meishan at a consideration of RMB20 million. Accordingly the Group's equity interest in Ningbo Meishan is decreased from 19.49% to 19.10%.

The Group accounts for its investments in these companies as joint ventures although the Group holds more or less than 50% of equity interest. According to the investment agreements and articles of associations, the Group and the other investors will jointly control the key relevant activities of these companies.

9. Other Non-current Assets

Other non-current assets include:

(a) Prepayments for acquisition of certain real estate assets of approximately RMB1,104 million (Note 15(b)(v)); and

(b) A loan to a real estate project company in Sydney, Australia, of approximately AUD13 million (equivalent to approximately RMB74 million), with a term of 2.5 years, and annual interest rate of 25%.

(Amounts presented in thousands of Renminbi unless otherwise stated)

10. Trade Receivables

	30 June 2017 Unaudited	31 December 2016 Audited
Trade receivables	54,659	51,668
Less: Provision for impairment	(27,843)	(26,805)
	26,816	24,863

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

	30 June 2017 Unaudited	31 December 2016 Audited
Within 6 months	8,641	18,697
6 months – 1 year	17,460	4,388
1 – 2 years	715	20,113
Over 2 years	27,843	8,470
	54,659	51,668

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.

(Amounts presented in thousands of Renminbi unless otherwise stated)

11. Cash and Bank Balances

	30 June 2017 Unaudited	31 December 2016 Audited
Cash on hand	471	353
Demand and notice deposits	1,578,767	1,309,571
Time deposits with original maturity of no more than 3 months	–	200,000
Cash and cash equivalents	1,579,238	1,509,924
Pledged bank deposits (a)	214,000	–
Restricted bank deposits under a development project (b)	329	329
Restricted bank deposits relating to bank borrowings (c)	2,608	2,604
Restricted bank deposits relating to lawsuits	54,403	–
Cash and bank balances	1,850,578	1,512,857

(a) As at 30 June 2017, bank deposits of approximately RMB214 million (31 December 2016: Nil) were pledged as securities for bank borrowings.

(b) The balance represented deposits that are restricted from use, as a result of the guarantees provided by the Group in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties.

(c) An amount of approximately RMB 3 million (31 December 2016: RMB3 million) is restricted in connection with bank borrowings.

(Amounts presented in thousands of Renminbi unless otherwise stated)

12. Issued Capital and Premium

	Number of shares (thousands)	Share capital and premium RMB'000
As at 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	20,564,713	6,747,788

13. Interest-bearing Bank and Other Borrowings

	30 June 2017 Unaudited	31 December 2016 Audited
Non-current	**5,054,169**	2,847,984
Current	**4,450,368**	3,917,484
	9,504,537	6,765,468

Movements in borrowings are analysed as follows:

	Six months ended	
	30 June 2017 Unaudited	30 June 2016 Unaudited (Restated)
Opening amount as at 1 January	**6,765,468**	9,147,723
Proceeds from borrowings	**7,811,570**	4,251,813
Repayments of borrowings	**(4,007,189)**	(4,554,831)
Amortization of discount or premium	**9,078**	13,275
Disposal of a subsidiary	**(1,050,000)**	(1,453,044)
Currency translation differences	**(24,390)**	–
Closing amount as at 30 June	**9,504,537**	7,404,936

(Amounts presented in thousands of Renminbi unless otherwise stated)

13. Interest-bearing Bank and Other Borrowings (continued)

Interest-bearing bank and other borrowings include bank loans, trust loans and corporate bonds issued to various investors, each with a denomination of HK$10 million and a tenor of 7 years.

As at 30 June 2017, the Group's bank and other borrowings of approximately RMB5,006 million (31 December 2016: approximately RMB1,928 million) were secured by mortgage of the Group's leasehold land, investment properties, property, plant and equipment, properties held or under development for sale and assets classified as held for sale, or by pledge of equity interests in certain subsidiaries or bank deposits, or secured by pledged assets provided by a related party.

As at 30 June 2017 and 31 December 2016, pledged assets as collateral for the Group's borrowings were as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Leasehold land	45,749	48,548
Investment properties	5,084,176	3,984,350
Properties held or under development for sale	43,038	74,740
Property, plant and equipment	130,524	133,657
Assets classified as held for sale	–	930,096
Equity interests in certain subsidiaries	399,024	–
Bank deposits	214,000	–
Pledged assets provided by a related party (Note 15(b)(vii))	2,580,589	–

(Amounts presented in thousands of Renminbi unless otherwise stated)

14. Trade Payables

	30 June 2017 Unaudited	31 December 2016 Audited
Trade payables	**642,341**	792,301

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 2017 Unaudited	31 December 2016 Audited
Within 1 year	**317,220**	391,277
1 – 2 years	**87,348**	107,741
Over 2 years	**237,773**	293,283
	642,341	792,301

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.

15. Related Party Transactions

In addition to the related party transactions and balances disclosed elsewhere in this interim financial information and compensation to key management personnel, the Group had the following and balances with related parties.

(a) Name and relationship with related parties

Name	Relationship
Broadband	An associate of the Group
New Technology	An associate of the Group
Da Run	A joint venture of the Group
Relevant Business of Golden Luodian	A joint venture of the Group
Linzhi Zhong Min Real Estate Co., Ltd. ("Linzhi")	A company controlled by same ultimate company
China Minsheng Jujia Information Technology Co., Ltd. ("China Minsheng Jujia")	A company controlled by same ultimate company
Mayson	An associate of the Group
Shanghai Shuo Cheng Real Estate Co., Ltd. ("Shuo Cheng")	A subsidiary of an associate of the Group
Black Eagle (Shanghai) Investment Management Limited ("Black Eagle")	A subsidiary of the minority shareholder of the Group

(b) Transactions and balances with related parties

(i) Trade receivable due from a related party

	30 June 2017 Unaudited	31 December 2016 Audited
Broadband	**247**	247

(Amounts presented in thousands of Renminbi unless otherwise stated)

15. Related Party Transactions (continued)

(b) Transactions and balances with related parties (continued)

(ii) Trade payable due to a related party

	30 June 2017 Unaudited	31 December 2016 Audited
New Technology	**112**	112

(iii) Other receivables due from related parties

	30 June 2017 Unaudited	31 December 2016 Audited
Relevant Business of Golden Luodian	**1,620,096**	951,180
Mayson	**153,376**	153,376
Da Run	**5,000**	–
Broadband	**32**	–
	1,778,504	1,104,556

Amounts due from related parties are unsecured, bear no interest and are expected to be collected within one year. Movements during the period represent payments on behalf, normal fundings/advances or repayments.

(Amounts presented in thousands of Renminbi unless otherwise stated)

15. Related Party Transactions (continued)

(b) Transactions and balances with related parties (continued)

(iv) Other payables due to related parties

	30 June 2017 Unaudited	31 December 2016 Audited
Shuo Cheng	656,560	356,560
Linzhi	400,000	600,000
Black Eagle	–	270,124
Broadband	–	44
	1,056,560	1,226,728

Amounts due to related parties are unsecured, bear no interest and are repayable on demand. Movements during the period represent payments on behalf, normal fundings/advances or repayments.

(v) Non-current asset due from a related party

	30 June 2017 Unaudited	31 December 2016 Audited
Shuo Cheng	1,104,000	–

(Amounts presented in thousands of Renminbi unless otherwise stated)

15. Related Party Transactions (continued)

(b) Transactions and balances with related parties (continued)

(vi) Loans from related parties

	30 June 2017 Unaudited	31 December 2016 Audited
Loans from parent company (a)	**4,282,660**	3,640,550
Loans from a company ultimately controlled by the same company (b)	**800,000**	1,000,000
	5,082,660	4,640,550

(a) Term loans of approximately RMB4.28 billion (31 December 2016: approximately RMB3.64 billion) were provided by the parent company, China Minsheng Jiaye in 2016 and 2017, which comprised the following borrowings:

(i) The loan of RMB600 million was provided in April 2016 with an interest rate of 8% per annum. The tenure of the loan was six months. The loan was renewed in November 2016 for three years with an interest rate of 7% per annum.

(ii) The loan of RMB2 billion was provided in April 2016 with an interest rate of 8% per annum. The tenure of the loan was twelve months. The loan was partially repaid in the amount of RMB443.5 million in 2017.

(iii) The loan of USD150 million (approximately RMB1,016 million), was provided in September 2016 with an interest rate of 4% per annum. The tenure of the loan was three years with 50% of the loan due within one year.

(Amounts presented in thousands of Renminbi unless otherwise stated)

15. Related Party Transactions (continued)

(b) Transactions and balances with related parties (continued)

(vi) Loans from related parties (continued)

(a) (continued)

(iv) The loan of RMB1.1 billion was provided in January 2017 with interest rate of 7% per annum. The tenure of the loan was three years.

(b) Entrusted loans of RMB800 million (31 December 2016: RMB 1 billion) were provided by the related party, China Minsheng Jujia, in 2016 and 2017, which comprised the following borrowings:

(i) The loan of RMB800 million which was provided in March 2016 with tenure of twelve months. Interest rate of the loan was 8.5% per annum. The loan was repaid in March 2017.

(ii) The loan of RMB200 million which was provided in May 2016 with tenure of twelve months. Interest rate of the loan was 8.35% per annum. The loan was repaid in May 2017.

(iii) The loan of RMB800 million which was provided in March 2017. Interest rate of the loan is 7.75% per annum. The tenure of 50% loan was twelve months and the tenure of the remaining 50% was fifteen months.

(vii) Pledged assets provided by a related party

	30 June 2017 Unaudited	31 December 2016 Audited
Relevant Business of Golden Luodian	**2,580,589**	–

(Amounts presented in thousands of Renminbi unless otherwise stated)

16. Notes to the Condensed Consolidated Statement of Cash Flows

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

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited (Restated)
Profit before income tax including discontinued operation	**813,562**	235,187
Adjustments for:		
Depreciation of property, plant and equipment	**16,791**	11,049
Net loss/(gain) on disposal of items of property, plant and equipment	**218**	(324)
Gains on disposal of subsidiaries	**(1,141,944)**	(677,099)
Share of results of associates	**(45,387)**	8,486
Share of results of joint ventures	**1,457**	40
Share-based payments	**14,711**	–
Accrual of provision for properties held or under development for sale	**58,477**	79,818
Reversal of provision for properties held or under development for sale	**(17,965)**	(8,960)
Accrual of provision for prepaid land lease payments	**10,283**	13,305
Reversal of provision for prepaid land lease payments	**(4,255)**	(1,385)
Provision for impairment of trade receivables	**1,397**	–
Provision for impairment of other receivables	**–**	69,645
Finance income	**(1,551)**	(12,895)
Finance costs	**240,000**	188,381
	(54,206)	(94,752)
Increase in restricted bank deposits	**(54,403)**	(2)
Decrease/(increase) in prepaid land lease payments	**148,860**	(91,800)
Increase in properties held or under development for sale	**(20,227)**	(93,268)
(Increase)/decrease in inventories	**(98)**	12,873
Increase in trade receivables	**(1,943)**	(7,197)
Increase in other receivables	**(392,523)**	(1,099,529)
(Increase)/decrease in prepayments and other current assets	**(1,017,286)**	27,906
Decrease in trade payables	**(149,960)**	(3,513)
(Decrease)/increase in other payables and accruals	**(67,229)**	437,010
Increase in advances received from the pre-sale of properties under development	**344,665**	988,180
Cash (used in)/from operations	**(1,264,350)**	75,908

(Amounts presented in thousands of Renminbi unless otherwise stated)

17. Commitments and Contingencies

(a) Commitments

	30 June 2017 Unaudited	31 December 2016 Audited
Contracted, but not provided for		
Properties held or under development for sale	272,562	3,916,114
Consideration for investments	2,640	114,670
	275,202	4,030,784

(b) 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 bank grants the relevant mortgage loans and end when the purchasers pledge related properties certificates as security to the bank offering the mortgage loans. The Group entered into such guarantee contracts with principal amounts totalling approximately RMB344 million (31 December 2016: approximately RMB446 million) and these contracts were still effective as at the close of business on 30 June 2017.

The Group did not incur any material losses during the period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. 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 loan is normally below 70% of sales price of the respective property at date of the sales agreement, and therefore no provision has been made in connection with these guarantees.

17. Commitments and Contingencies (continued)

(c) With reference to the Company's announcement dated 24 September 2015, certain financing transactions were executed by Mr. Shi Jian (former Chairman of the Company), purportedly acting for and on behalf of certain members of the Group, between 2011 and 2014 with third party financial institutions (the "Financing Transactions") without the knowledge of the other Directors of the Company.

The purposes of these Financing Transactions were to guarantee the repayment obligations of certain loans owed by the subsidiaries or connected persons of SRE Investment Holding Limited ("SREI"). SREI, which is majority held by Mr. Shi and his family members or relatives, was the controlling shareholder of the Company at the time when those Financing Transactions were entered into.

The Financing Transactions constituted as financial assistance to related parties and also contingent liabilities of the Group, and the total outstanding balance of the loans secured by the Financing Transactions amounted to approximately RMB2.383 billion as of 31 August 2015.

On 4 December 2015, upon completion of the subscription of shares, China Minsheng Jiaye became controlling shareholder of the Company. On the same date, China Minsheng Jiaye agreed to provide back-to-back indemnity in favour of the Company to indemnify and hold harmless the Company from and against any losses and costs that might be incurred as a result of the Financing Transaction as described above.

As at 30 June 2017, the total outstanding balance of the loans secured by the Financing Transactions were fully repaid (31 December 2016: RMB1.252 billion) and thereby the relevant guarantees and property mortgage provided by the Group have been fully released accordingly.

18. Disposal of Subsidiaries

(a) In April 2017, the Group disposed 49% equity interest in its wholly owned subsidiary, Shanghai Jinxin Real Estate Co. Ltd. ("Jinxin"), to Shanghai Zhongchong Binjiang Industry Co., Ltd at a consideration of approximately RMB2,112 million. After the disposal, the Group cease to have control in Jinxin, and Jinxin has become a joint venture of the Group.

On the date of disposal, net asset value of Jinxin amounted to approximately RMB3,082 million, which resulted in a gain on disposal of approximately RMB602 million. In addition, the retained 51% of equity interest was re-measured to its fair value as initial carrying value for the joint venture with the change in carrying amount of approximately RMB540 recognized as a gain in profit or loss.

(b) In January 2016, the Group disposed all its 80% shares in Haikou Century Habour City Co. Ltd., to Khorgos Rui Hong Equity Investment Co. Ltd. at a consideration of RMB176 million. On the date of disposal, net asset value of Haikou Century Habour City Co. Ltd. attributable to the Group amounted to RMB168 million. As such, the Group recorded a gain on disposal of approximately RMB8 million.

(c) In April 2016, the Group disposed all its 56% shares in Shanghai Skyway Hotel Co. Ltd., to The Great Wall Guo Fu Real Estate Co. Ltd. at a consideration of RMB643 million. On the date of disposal, net asset value of Shanghai Skyway Hotel Co. Ltd. attributable to the Group amounted to RMB92 million, with property, plant and equipment of RMB357 million and investment properties of RMB1,275 million. As such, the Group recorded a gain on disposal of approximately RMB 552 million.

18. Disposal of Subsidiaries (continued)

(d) In January 2016, the Group disposed 60% equity interest in its wholly owned subsidiary, Mayson Resources Limited ("Mayson"), to Mainlandcn Ten Company Limited, a wholly-owned subsidiary of China Vanke Co., Ltd., at a consideration of approximately RMB322 million. After the disposal, the Group cease to have control in Mayson and has accounted it as an associate since then.

On the date of disposal, net asset value of Mayson amounted to approximately RMB657 million which resulted in a loss on disposal of approximately RMB72 million. The retained 40% of equity interest was re-measured to its fair value as initial carrying value for the associate with the change in carrying amount of approximately RMB187 recognized as a gain in profit or loss.

(e) In April 2016, the Group disposed its entire 85% equity interest in Shanghai Real Estate Internet Financial Information Service Co. Ltd. to Shanxi Xifeng Investment Co. Ltd., He Xing Jin Kong Investment Co. Ltd. and Shanghai Qin Yi Business Consulting Co. Ltd. at a total consideration of RMB1.

On the date of disposal, Shanghai Real Estate Internet Financial Information Service Co. Ltd. was in a net liability position of RMB4 million of which approximately RMB3 million was attributable to the Group and as such the disposal resulted in a gain of approximately RMB3 million.

19. Assets Classified as Held For Sales and Liabilities Directly Associated With the Assets Classified as Held For Sale

(a) In April 2017, the Group entered into a sale and purchase agreement with a purchaser, one of the shareholders of China Minsheng Investment Corp., Ltd., in relation to the disposal of the 100% equity interest held in Wuxi Yongqing Real Estate Co., Ltd. ("Wuxi Yongqing"). The agreed consideration was approximately RMB491 million, including approximately RMB88 million for equity and approximately RMB403 million for debt. As at 30 June 2017, the transaction was in progress so that the related assets and liabilities of Wuxi Yongqing were classified as held for sale.

19. Assets Classified as Held For Sales and Liabilities Directly Associated With the Assets Classified as Held For Sale (continued)

(b) In November 2016, the Group entered into a sale and purchase agreement with a third party purchaser in relation to the disposal of the 100% equity interest held by Shanghai Wingo Infrastructure Co., Ltd. in Shanghai Shanghui Construction Co., Ltd.("Shanghui Construction"). The agreed consideration was approximately RMB5.8 million. As at 31 December 2016 and 30 June 2017, the transaction was in progress so that the related assets and liabilities of Shanghui Construction were classified as held for sale.

(c) In December 2016, the Group entered into a cooperation framework agreement with a third party purchaser in relation to the disposal of the 49% equity interest in Jinxin Real Estate together with the settlement of 50% of the loan amount provided by companies within the Group to Jinxin Real Estate from funds provided by the third party purchaser. As at 31 December 2016, the transaction was in progress, and was completed in April 2017 (Note 18(a)). Consequently, the related assets and liabilities of Jinxin Real Estate were classified as held for sale as at 31 December 2016.

20. Discontinued Operation

On 5 April 2016, the Group disposed all its shares of a 56% owned subsidiary, Shanghai Skyway Hotel Co. Ltd., to The Great Wall Guo Fu Real Estate Co. Ltd. (Note 18 (c)). Given that Shanghai Skyway Hotel Co. Ltd. constituted the majority of hotel operations of the Group, the disposal of this subsidiary was regarded as discontinued operation.

Financial information relating to Shanghai Skyway Hotel Co. Ltd. for the period from 1 January 2016 to the date of disposal is set out below. The income statement distinguishes discontinued operation from continuing operations.

(Amounts presented in thousands of Renminbi unless otherwise stated)

20. Discontinued Operation (continued)

Income statement information

	For the six months ended 30 June 2016 Unaudited (Restated)
Revenue	38,760
Expenses	(55,097)
Loss before income tax from discontinued operation	(16,337)
Loss for the period from discontinued operation	(16,337)
Loss from discontinued operation attributable to:	
– Owners of the company	(9,149)
– Non-controlling interests	(7,188)
	(16,337)

Cash flows

	For the six months ended 30 June 2016 Unaudited (Restated)
Operating cash flows	1,611
Investing cash flows	–
Total cash flows	1,611

21. Fair Value and Fair Value Hierarchy of Financial Instruments

Fair value of financial assets and financial liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and bank balances, receivables and available-for-sale investments.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings and payables.

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

21. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Assets measured at fair value:

The available-for-sale investments of the Group are measured at fair value as at 30 June 2017 and 31 December 2016.

Liabilities measured at fair value:

The Group did not have any financial liability measured at fair value as at 30 June 2017 and 31 December 2016.

22. Approval of the Interim Condensed Consolidated Financial Information

The interim condensed consolidated financial information was approved and authorized for issue by the Board of Directors on 29 August 2017.

Management Discussion and Analysis

FINANCIAL REVIEW

During the six months ended 30 June 2017, the Group recorded a net revenue of approximately RMB520 million (first half of 2016: RMB236 million), which represents an increase by approximately 120% compared with that of the corresponding period of last year. Profit attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB623 million while profit attributable to owners of the Company for the corresponding period of last year was approximately RMB90 million. The increase was mainly attributable to gains from disposal of part of the Group's certain investments at a premium during the steady progress towards the Group's strategic positioning as an international financial real estate platform. In addition, there has been a continuous improvement in the overall operating efficiency of the Group during the Reporting Period.

The Board resolved not to declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

Liquidity and Financial Resources

As at 30 June 2017, cash and bank balances amounted to approximately RMB1,851 million (31 December 2016: approximately RMB1,513 million). Working capital (net current assets) of the Group as at 30 June 2017 amounted to approximately RMB912 million (31 December 2016: approximately RMB1,963 million), representing a decrease by approximately 54% as compared with the previous year. Current ratio was at 1.09x (31 December 2016: 1.17x).

As at 30 June 2017, the Group's gearing ratio was 50% (31 December 2016: 43%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance) over total capital (total equity and net borrowings).

Charges on Assets and Contingent Liabilities

As at 30 June 2017, the Group's bank and other borrowings of approximately RMB5,006 million (31 December 2016: approximately RMB1,928 million) were secured by mortgage of the Group's leasehold land, investment properties, property, plant and equipment and properties held or under development for sale and assets classified as held for sale, or by pledge of equity interests in certain subsidiaries and bank deposits, or secured by pledged assets provided by a related party.

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 bank grants the relevant mortgage loans and end when the purchasers pledge related properties certificates as security to the bank offering the mortgage loans. The Group entered into such guarantee contracts with principal amounts totalling approximately RMB344 million (31 December 2016: approximately RMB446 million) and these contracts were still effective as at the close of business on 30 June 2017.

The Group did not incur any material losses during the period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. 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 loan is normally below 70% of sales price of the respective property at date of the sales agreement, and therefore no provision has been made in connection with the guarantees.

BUSINESS REVIEW

In the first half of 2017, with the revived growth of the economy and under the insistency of guidance by the policies of "housing is for accommodation", policies were implemented based on each individual city in the regions, and measures for controlling housing prices and preventing bubbles together with de-stocking were in place. Policies for hotspot cities were frequently increased. Together with the linking and adjustment of the surrounding third and fourth-tier cities, there was a continuous upgrade of the traditional policies of purchase restrictions and lending restrictions. Accordingly, although the investment amount of real estate development had an unexpected growth, there was a slowdown in the growth of the sales volume of the Group's properties. The Group strengthened its sales efforts for its projects under construction and achieved stability in contract sales; and made efforts to improve operation for self-owned properties including Malaren Hospital and Oasis Central Ring Centre with results started stabilizing; while improving the results in sales properties and self-owned properties, the Group timely optimized its development strategy by making an early move to capitalize on some of its assets when they were selling at a high price to secure its income and cash flow. At the same time, the Group acquired two real estate development projects in the gateway cities of the west coast of the US in the first half of the year. The global business presence was emerging.

Real Estate Development

Position of design

75 Howard Project in San Francisco

75 Howard Project is located at the urban core area of San Francisco of the US and is a high-end residential project with frontline seaview. The main contractor for such project was determined in the first half of 2017. The business plan for such project, which includes the budget, progress and marketing proposals of the project is under preparation.

Napa County Project

Napa County Project is located at the southern part of Napa County of the US which is planned to be developed into a hotel. It is currently carrying out the initial positioning for the project which includes the research on the future development directions such as criteria of the market and hotels and changes in land use.

Sales Progress

In the first half of 2017, major projects put up for sale of the Group together with its joint ventures and associates included Shanghai Albany Oasis Garden, Shanghai Huating Project, Shenyang Albany Oasis Garden, Chengdu Albany Garden, Jiaxing Project and Wuxi Jiang Nan Rich Gate. In the first half of 2017, the Group together with its joint ventures and associates achieved contract sales of approximately RMB2,609 million for a total floor area of 89,500 m^2, representing a decrease of 49% as compared with the same period last year. The average selling price was RMB29,154 per m^2. Major projects put up for sale included:

Shanghai Albany Oasis Garden

Shanghai Albany Oasis Garden is situated on Shanghai Inner Ring Road and is a high-end residential project. A total area of 18,935 m^2 was sold in the first half of 2017 and the total contract sum amounted to RMB1,551 million (averaging RMB81,917 per m^2). The Group holds 40% equity interest of Shanghai Albany Oasis Garden.

Shanghai Huating Project

Shanghai Huating Project is situated on Eastern Xie Tu Road of Huangpu District in Shanghai and is a high-end residential project. A total area of 1,393 m^2 were sold in the first half of 2017, and the total contract sum amounted to RMB112 million (averaging RMB80,759 per m^2). The Group holds 50.36% equity interest of Shanghai Huating Project.

Shenyang Albany Oasis Garden

Shenyang Albany Oasis Garden is situated on South Heping Road of Heping District in Shenyang City, Liaoning Province, and is a residential community with an excellent location geographically and with well-developed transportation networks. A total area of 8,547 m^2 were sold in the first half of 2017 for RMB89 million (averaging RMB10,383 per m^2). The Group holds 98.71% equity interest of Shenyang Albany Oasis Garden.

Chengdu Albany Garden

Chengdu Albany Garden is located at Hongguang Town, Pi County, Chengdu City and is a residential community of high quality with convenient transportation facilities. A total area of 40,113 m^2 were sold in the first half of 2017 for RMB263 million (averaging RMB6,545 per m^2). The Group holds 100% equity interest of Chengdu Albany Garden.

Jiaxing Project

Jiaxing Project is situated in Nanhu District of Jiaxing City in Zhejiang Province. In keeping with the Group's focus on high-end products, the project forged a high quality, exquisite and luxurious residential community. A total area of 11,462 m^2 were sold in the first half of 2017 for RMB109 million (averaging RMB9,510 per m^2). The Group holds 98.75% equity interest of Jiaxing Project.

Wuxi Jiang Nan Rich Gate

Wuxi Jiang Nan Rich Gate is situated in the northeastern part of the Wuxi New Town, and is an exquisite townhouse project. A total area of 2,010 m^2 were sold in the first half of 2017 for RMB18.50 million (averaging RMB9,204 per m^2). The Group holds 98.75% equity interest of Wuxi Jiang Nan Rich Gate.

Land Bank

On 30 June 2017, the Group owned a land bank with a total gross floor area of approximately 2.73 million m^2 in Shanghai, Shenyang, Chengdu, Dalian and the UK. The Company focuses on first tier cities in the PRC and core cities of developed countries and developing area along the One Belt and One Road outside the PRC, and is committed to discovering assets which are underestimated or with potential.

Progress of Construction

Adhering to development plans and construction schedules outlined in the first half of 2017, the Group and its members have been carrying out construction works in an orderly and standardized manner, while making every effort to improve the construction quality and ensuring good quality projects. Major projects under construction include:

Chengdu Albany Garden

The construction of Blocks No. 9, 10, 13 and 14 of Phase II of Chengdu Albany Garden is completed and delivered; while Blocks No. 5 and 6 are constructed to 12th floor, Block No. 4 is constructed to 3rd floor and 80% of the pouring of concrete for structure of 1st floor of Block No. 3 is completed.

Shenyang Albany Oasis Garden

The total gross floor area of Phase II of Shenyang Albany Garden is 264,246 m^2, and it is divided into section A and section B. As at the end of June 2017, the work of Section A of Phase II was completed and delivered to the property owners; the works of Block 7 and Block 9 in Section B of Phase II were completed and delivered to the property owners. Block 8 was about 90% completed. The centralized commercial construction for Section A of Phase III was completed basically and the commercial outlets were delivered.

The Atelier

The saleable area of the Atelier is approximately 3,259 m^2. As at the end of June 2017, the work has commenced to demolish part of the existing structures.

Progress of Relocation

Shanghai Rich Gate I

There are 1,008 certificates of households (including 40 certificates of sole proprietors) and 39 certificates of enterprises for expropriation in the old town area redevelopment project of the land lot at 717-719 Daxing Street, Huangpu District. As at 30 June 2017, contracts were signed for 869 certificates of households for the land lot at 717-719 Daxing Street, representing a signing rate of 86.21%; 559 households were relocated, accounting for 64.32% of the 869 certificates with contracts signed; and 464 households were settled (re-signed) accounting for 53.39% of the 869 certificates with contracts signed. Contracts were signed for 30 certificates of enterprises covering an area of 12,050 m^2; and 7 enterprises were relocated, covering an area of 3,196 m^2.

As at 30 June 2017, the current syndicated loan facilities were RMB5.0 billion and RMB2,023.5 million was drawn. The amount of the expropriation compensation agreement signed on 17 March 2014 with the Government was RMB5.178 billion, and the total compensation already paid was RMB3.57 billion. The cost of expropriation has increased due to the significant rise in prices of the Shanghai property market in recent years. In view of the current progress of expropriation, basing on the total building expropriation cost re-estimated by Ruihua Certified Public Accountants, a third party, and as confirmed by the Construction Committee Office of Huangpu District, an expropriation compensation agreement was signed on 2 May 2017 with the Government to increase the total compensation expenses from RMB5.178 billion to RMB6.817 billion, increasing the expropriation cost by RMB1.639 billion. Therefore, we intend to apply to the banks for increasing the facilities and at the same time apply for primary and secondary linked-development loans recently.

Shenyang Albany Oasis Garden

As at the end of June 2017, Shenyang Albany Oasis Garden had signed relocation contracts with 1,404 households and 24 enterprises (including schools), with negotiations for 60 households and 1 enterprise still in progress. The relocation was about 96% completed for households and 96% completed for enterprises and schools respectively.

Changsha Project

As at the end of June 2017, procedures for correction of the planning control indicators of the land lot for the Changsha Project has been completed and the Planning Conditions has been obtained. The notice of the expropriation and relocation for the road-width of Qinghuan Road was published in July 2017.

Self-owned Property Operation

During the first half of 2017, the Group continued to enhance the management and operation of its self-owned properties to cope with the changing market conditions and opportunities, expeditiously adjusted the operation strategies, utilized its brand advantages and management capabilities, and strived to improve profitability with the benefits of the experiences earned, including:

Lake Malaren Obstetrical and Gynecological Hospital and Postnatal Care Center

Lake Malaren Obstetrical and Gynecological Hospital and Postnatal Care Center is located in Luodian Town, a new key town in the planning of the northern expansion of Shanghai City. It offers a combination of functions including medical, education, healthcare and rehabilitation and focuses on providing high-end medical and healthcare services for couples of childbearing age. The total gross floor area is 46,000 m^2, with 86 beds and 64 guest rooms in the postnatal care club. As at 30 June 2017, total operating revenue was RMB20.97 million.

Oasis Central Ring Centre

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

During the first half of 2017, Oasis Central Ring Centre had made tremendous efforts in attracting tenants. Currently, commercial spaces of 39,000 m^2, and 1,270 underground parking garages are for lease. As at 30 June 2017, the occupancy rate of Oasis Central Ring Centre reached 89.9%. Total rental income for shops and parking lots was RMB23.66 million.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall offers a wide range of varieties, such as shopping, fine food, leisure, entertainment, culture. As at 30 June 2017, there were 34 new tenants taking up new leasing area totalling 15,959 m^2. The total area leased was 84,210 m^2 with a total of 125 tenants and leasing rate of 79.56%. Rental income was RMB6.22 million and total operating revenue was RMB15.58 million.

41 Tower Hill Project in the UK

The project is located on the east side of the City of London. It is a freehold property with a site area of approximately 7,000 m^2, and comprises an existing office building and an adjoining car park. Currently, the office has a floor area of approximately 15,509 m^2 (166,940 square feet); gross floor area of approximately 21,189 m^2 (228,075 square feet). The office building is leased to Société Générale for a term of about 4 years expiring in March 2020. During the term, it may be re-planned to increase area, for renovation or for overall development.

12 Moorgate Project in the UK

The project is located in the core district of the City of London (EC2), which is a global financial and insurance center. It is a freehold property developed in 1998 with 6 floors and one basement. The property has a rentable area of approximately 3,151 m^2 (33,941 square feet) for office use. Its existing tenant is Schroders PLC, a renowned global wealth management company, with a remaining lease term of 6 years. In March 2018, the tenant has the option to terminate the lease in December 2019 at the earliest. After the moving out of the tenant, renovation and modification to the building may be made or the commercial function of the first floor may be increased.

Operation of Light-asset Projects

The Group proactively explored the light-asset operation model, and attempted to coordinate with banks and asset management companies and involved in advance by the means of acquiring debentures or right of return. The Group obtained assets of excellent quality by discussion and transfer or legal processes, and leveraged on the brand advantages of the Group and the experience of high-end real estate development and management to achieve profits.

Ningbo Investment Centre

In December 2016, Ningbo Meishan Free Trade Zone Zhi'ao Investment Centre ("Ningbo Investment Centre") was established, in which the Group (as a general partner) and inferior limited partners jointly held approximately 19% of its capital. The Group acquired the right of return of the property projects from Minsheng Bank after the establishment of Ningbo Investment Centre. The details in relation to the property projects are set out as follows:

(1) Minsheng Garden Project

Minsheng Garden Project, which comprises of available-for-sale apartments, townhouses and a commercial building, is located in Mapo Town, Shunyi District, Beijing City with approximately 82,529 m^2 site area. Its construction has been completed. Procedures are being made to obtain the Real Estate Title Certificate.

(2) Shunyi Fenglin Project

Shunyi Fenglin Project, which comprises of available-for-sale villas, is located in Mapo Town, Shunyi District, Beijing City with approximately 61,226 m^2 site area. Its construction has been completed. Procedures are being made to obtain the Real Estate Title Certificate.

(3) Xiangzhang Garden Project

Xiangzhang Garden Project, which comprises of commercial apartments, commercial flats and carparks, is located within the core business circle of West Nanjing Road, Jing'an District, Shanghai City, right next to Plaza 66 with approximately 5,494 m^2 site area and approximately 37,282 m^2 gross floor area. The civil and electrical engineering are close to completion, while renovation work is currently in progress.

(4) Shenzhen Project

Shenzhen Project is located at an excellent position inside the Shekou Industrial Zone, Shenzhen City and is adjacent to Nanshan Park. The project is expected to comprise of approximately 8,808 m^2 of residential properties and approximately 2,266 m^2 of carparks.

Secured loan package from ICBC

The pledged properties of the loan package are mainly located in the core areas of Pudong New District and Baoshan District, Shanghai City. The properties are commercial items with approximately 12,830 m^2 gross floor area. Negotiations have been made with the courts, lawyers and assessment agency and legal disposal proposal for the assets is being formulated. Meanwhile, discussion is being made with potential clients for an overall debt acquisition proposal.

Secured loan package from CMSB

The pledged properties of the loan package are mainly located in Caolu Town, Pudong New District, Shanghai City, next to tertiary institutions. The properties are solely residential items with approximately 13,334 m^2 gross floor area. The debt has been published in newspaper in July 2017 and solicitor firm is being engaged to carry out relevant matters such as the change of executor. Meanwhile, negotiation is underway for subsequent cooperation between the debtors, other creditors and other potential buyers.

New businesses

Darun Yunshang Project

In March 2016, a contract was signed for Darun Yunshang project for the Group to enter into real estate related internet and financial sector. The Group currently holds 12% equity interest in Darun Technology Company (大潤科技公司) and the capital increase was completed. The Group holds 80% equity interest in a factoring company. In September 2016, the factoring company obtained approval from Wuxi Municipal Bureau of Commerce for its establishment. On 10 February 2017, the factoring company obtained business licence and completed capital verification. At present, the factoring company has secured the reply for granting low risk credit of RMB100 million from Bank of China and successfully carried out its first business operation and it is in the process of obtaining credit facilities of RMB550 million from Bank of China.

BUSINESS OUTLOOK

At the Central Economic Work Conference held in mid-December 2016, it was determined that the main tone for 2017 is to pursue economic progress with stability, fiscal policy will be more proactive and effective and supply-side reform will be deepened to revive the real economy. This is conducive for the creation of a good environment for the steady development of the property market. At the same time, the central government strengthened the establishment of property mechanism with long-term effectiveness, with regional integration and new urbanization pushing forward, in building a good environment for the long-term development of the property industry. It is expected that under the combined effect of policy influence and market force, market participants and other parties involved will resume rationality gradually, and the property market will continue to remain stable in the second half of the year.

The Group together with its joint ventures and associates will grasp the favourable opportunities of the market, continue to allow full play to the advantage of its quality brand names such as Shanghai Huating and strengthen its sales efforts. At the same time, the Group will enhance its cost control and process optimization by ways of management optimization and internet to facilitate the refined operation and pursue healthy profit, cash flows and sales scale. In addition, the Group has successfully arranged financing for its overseas projects and secured the loan of GBP70.50 million for its London projects. In the second half of the year, the Group will continue to actively expand its financing means, constantly lower finance costs and utilize domestic and foreign capital to fulfill its capital requirements in China and overseas.

As urbanization in China is entering a steady stage, the property industry will enter into a silver era with gradual differentiation in regions and enterprises and transformation and upgrade becoming consensus of the industry. With the resources support and strategic guidance of China Minsheng Investment, in accordance with the development trend of the industry and drawing on SRE's high-end property development and management experience, the Group's strategic positioning of transforming from a traditional developer into an international financial and real estate platform was basically established. The Group will take real estate asset management as its principal operating strategy, and focus on three core businesses including development of city complex with financial city as a representative, urban development with real estate + industry, and primary and secondary linked-development and asset merger, acquisition and disposal. Domestically, focus will be placed on renewal and upgrade of first-tier cities and opportunistic business in second-and third-tier cities. Overseas, emphasis will be placed on core cities of developed countries and high-growth regions under the One Belt and One Road.

2017 as the beginning year of the formation of the said strategic positioning and that its globalized presence is taking shape, the Group will, in the second half of the year, on the basis of adhering to the strategic goal of "one platform, two target markets and three core businesses", emphasize on building the three core business segments, realize steady growth in profit and significant expansion of assets, and actively develop new projects. The Group will use its unique investment insight to discover assets with value underestimated or enhancement potential through multiple channels including merger and acquisition and partnership. Putting into practice the "Going abroad" strategy, the Group will seek high quality assets overseas and establish business presence in influential oversea core cities such as Sydney, London and San Francisco, in an effort of pursuing steady revenue with manageable risk and diversification of currency depreciation risk. We will also closely monitor the "One belt and One road" strategy and related policies and initiatives and identify prime projects so as to reap the bonus of the "One belt and One road" strategy early. Meanwhile, the Group will make full use of the rich industrial resources of China Minsheng Investment, prudently attempt diversification, cultivate new growing industries and develop business such as "real estate + education, real estate + medical, real estate + culture and travel" in an orderly manner.

EMPLOYEES

As at 30 June 2017, the Group had 543 employees in Hong Kong and the PRC. Total staff costs of the Group excluding directors' remuneration, for the six months ended 30 June 2017 amounted to approximately RMB71.85 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 employee.

Disclosure of Interests and Other Information

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to 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 on the Stock Exchange (the "**Listing Rules**") were as follows:

Long position in shares of the Company (the "**Shares**") and underlying Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
He Binwu	160,000,000 *(Note 1)*	–	–	160,000,000	0.78%
Peng Xinkuang	160,000,000 *(Note 1)*	–	–	160,000,000	0.78%
Zhu Qiang	120,000,000 *(Note 1)*	–	–	120,000,000	0.58%
Qin Wenying	120,000,000 *(Note 1)*	–	–	120,000,000	0.58%
Chen Donghui	80,000,000 *(Note 1)*	–	–	80,000,000	0.39%
Chen Chao	80,000,000 *(Note 1)*	–	–	80,000,000	0.39%
Shi Janson Bing	50,000,000 *(Note 1)*	–	–	50,000,000	0.24%
Zhuo Fumin	–	160,000 *(Note 2)*	–	160,000	0.0008%

Notes:

(1) This refers to the underlying Shares covered by share options granted, such options being unlisted physically settled equity derivatives.

(2) These Shares were held by Madam He Pei Pei, the spouse of Mr. Zhuo Fumin.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executives of the Company or any of their close associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests

As at 30 June 2017, so far as is known to any Director or chief executives of the Company, the following persons, other than a Director or chief executives of the Company, had interests of the Company or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under the section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity	Number of issued ordinary Shares held	Approximate percentage of shareholding
China Minsheng Investment Corp., Ltd.	Interest in controlled corporation	15,389,659,128 (Note 1 & 3)	74.84%
China Minsheng Jiaye Investment Co., Ltd.	Interest in controlled corporation	15,389,659,128 (Note 1 & 3)	74.84%
Jiaxin Investment (Shanghai) Co., Ltd.	Interest in controlled corporation	15,389,659,128 (Note 1 & 3)	74.84%
Jiasheng (Holding) Investment Limited	Interest in controlled corporation	15,389,659,128 (Note 1 & 3)	74.84%
Jiashun (Holding) Investment Limited	Beneficial owner	12,500,000,000 (Note 1)	60.78%
Shi Jian	Beneficial owner, spouse and corporate interest	2,902,668,443 (Note 2 & 3)	14.11%
Si Xiao Dong	Beneficial owner, spouse and corporate interest	2,902,668,443 (Note 2 & 3)	14.11%
SRE Investment Holding Limited	Beneficial owner	2,889,659,128 (Note 2 & 3)	14.05%

Notes:

(1) China Minsheng Investment Corp., Ltd. holds a 69.40% direct interest in China Minsheng Jiaye Investment Co., Ltd., which holds a 100% direct interest in Jiaxin Investment (Shanghai) Co., Ltd., which in turn holds a 100% interest in Jiasheng (Holding) Investment Limited. Jiashun (Holding) Investment Limited is a wholly-owned subsidiary of Jiasheng (Holding) Investment Limited. Therefore, China Minsheng Investment Corp., Ltd., China Minsheng Jiaye Investment Co., Ltd., Jiaxin Investment (Shanghai) Co., Ltd. and Jiasheng (Holding) Investment Limited are all deemed to be interested in all the Shares held by Jiashun (Holding) Investment Limited for the purposes of the SFO.

(2) These Shares comprise 13,006,991 Shares held by Mr. Shi Jian, 2,324 Shares held by his spouse, Madam Si Xiao Dong and 2,889,659,128 Shares held by SRE Investment Holding Limited. As each of Mr. Shi Jian and Madam Si Xiao Dong owns more than 30% of SRE Investment Holding Limited, they are deemed to be interested in all the Shares held by SRE Investment Holding Limited for the purposes of the SFO.

(3) 2,889,659,128 Shares held by SRE Investment Holding Limited (in which Mr. Shi Jian and Madam Si Xiao Dong are deemed to be interested) are charged to Jiasheng (Holding) Investment Limited (in which China Minsheng Investment Corp., Ltd., China Minsheng Jiaye Investment Co., Ltd. and Jiaxin Investment (Shanghai) Co., Ltd. are deemed to be interested).

Save as disclosed above, as at 30 June 2017, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which were required to be recorded in the register kept by the Company under section 336 of the SFO.

Share Option Scheme

On 3 June 2016, the Board proposed to adopt a new share option scheme (the "**Scheme**"), which was approved and adopted by the shareholders of the Company on 6 July 2016.

On 14 July 2016 (the "**Date of Grant**"), options to subscribe (the "**Share Options**") for a total of 1,073,717,976 new Shares were offered to certain Directors and employees of the Group (the "**Grantees**"). The Share Options granted to each Grantee are valid for a period of five years commencing from the Date of Grant and shall be vested in three tranches in accordance with the following vesting dates: (i) 40% of the Share Options granted to each Grantee shall be vested and exercisable from 30 August 2016 to 13 July 2021; (ii) an additional 30% (i.e. up to 70% in total) shall be vested and exercisable from 30 August 2017 to 13 July 2021; and (iii) the remaining 30% (i.e. up to 100% in total) shall be vested and exercisable from 30 August 2018 to 13 July 2021.

The exercise price of the Share Options is HK$0.2132 per Share, which represents the highest of (i) the closing price of the Shares of HK$0.212 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the Date of Grant; (ii) the average closing prices of the Shares of HK$0.2132 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share, which is HK$0.10.

The Share Options were granted to the following Directors:

Executive Directors	**Number of Share Options Granted**
He Binwu	160,000,000
Peng Xinkuang	160,000,000
Zhu Qiang	120,000,000
Qin Wenying	120,000,000
Chen Donghui	80,000,000
Chen Chao	80,000,000
Shi Janson Bing	50,000,000

The grant of the Share Options to each of the above Directors has been approved by the Independent Non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules. Save as disclosed above, none of the Grantees is a Director, chief executive or substantial shareholder of the Company, or an associate of any of them.

The fair value of options granted during the period determined using the Binomial valuation model was divided into three trenches according to vesting period, being HK$7.80 cents per option for options vested on 30 August 2016, HK$7.99 cents per option for options to be vested on 30 August 2017 and HK$8.21 cents per option for options to be vested on 30 August 2018. The significant inputs into the model were closing share price of HK$0.2120 at the grant date, exercise price shown above, volatility of 46%, dividend yield of nil, an expected option life of 5, 4 and 3 years respectively and an annual risk-free interest rate of 0.69%. The volatility measured at the standard deviation of continuously compounded share returns is based on the average rate of comparable companies.

No Share Options were granted, exercised, cancelled or lapsed during the six months ended 30 June 2017.

The following is a summary of the principal terms of the Scheme:

1. Purpose of the Scheme:

   The purpose of the Scheme is to reward the contributions made by any Directors or employees of the Group (the "**Eligible Employees**"), to provide incentive for the Eligible Employees to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the shareholders of the Company as a whole.

2. Participants of the Scheme:

   The Board may at its discretion grant options to the Eligible Employees.

3. Total number of Shares available for issue under the Scheme and percentage of issued share capital as at 30 June 2017:

   As at 30 June 2017, the total number of Shares which may be issued under the Scheme must not exceed 2,056,471,372 Shares, representing approximately 10% of the issued share capital of the Company.

4. Maximum entitlement of each participant under the Scheme:

   Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

5. The period within which the Shares must be exercised under the Scheme:

   The period during which an option may be exercised in accordance with the terms of the Scheme ("**Option Period**") shall be a period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Date of Grant.

6. The basis of determining the exercise price:

   The subscription price per Share payable on the exercise of an option is to be determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share on the Date of Grant.

7. The remaining life of the Scheme:

   Subject to the earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme is deemed to take effect in accordance with its terms, after which time no further options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Scheme.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors, who have confirmed that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and financial reporting matters. The Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2017 has been reviewed by the Audit Committee.

Corporate Governance

Throughout the six months ended 30 June 2017, 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 and Corporate Governance Report as set out in Appendix 14 of the Listing Rules except for the following deviations:

Code Provision A.6.7

Pursuant to code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Zhuo Fumin and Mr. Han Gensheng, Independent Non-executive Directors, did not attend the annual general meeting of the Company for the year 2017 due to other business engagements.

Details of projects under development (including those completed during the six months ended 30 June 2017):

Project	Location	Land Use	GFA (sqm)	Expected Date of Completion	Completion Rate of Construction	Group's Holding Proportion
Albany Oasis Garden	No. 699, Zhong Xing Road, Zhabei District Shanghai, The PRC	Residential Phase IV	40,000	2021	0%	40%
		Commercials	40,000	2021	0%	40%
		Office & Hotel	100,500	2021	0%	40%
Shengyang Albany Garden	South Heping Road, Heping District, Shenyang City, Liaoning Province, The PRC	Residential Phase IIB	123,070	2017	95%	98.71%
		Commercial Phase IIB	3,003	2017	100%	98.71%
		Commercial Phase IIIA	35,913	2017	90%	98.71%
		Residential Phase IIIB/C	260,333	Not yet decide	0%	98.71%
		Commercial Phase IIIB/C	9,444	Not yet decide	0%	98.71%
Rich Gate I (Qinhai Oasis Garden)	Daxing Road, Huangpu District Shanghai, The PRC	Residential	75,757	2019	0%	51%
		Office	41,820	2019	0%	51%
		Service Apartment	12,000	2019	0%	51%
		Underground	83,000	2019	0%	51%
Shenyang Yosemite Oasis Community	Lee Sang New Town, Dongling District, Shenyang City, Liaoning Province, The PRC	Town House Phase IIB (Shuangxing section)	100,969	2017	90%	98.95%
		Residential Phase III	207,565	Not yet decide	0%	98.95%
Jiaxing Project	No.1, Linghu Road, Nanhu District, Jiaxing City, Zhejiang Province, The PRC	Residential and Commercial – 1# Phase II	73,144	2019	0%	98.75%

Property Details

Project	Location	Land Use	GFA (sqm)	Expected Date of Completion	Completion Rate of Construction	Group's Holding Proportion
Wuxi Yongqing	Within Wuxi Hongshan New Town, The PRC	Residential	204,219	2019	0%	98.75%
Dalian Oasis City Garden	Dalian WaFang Dian City Liaoning Province, west of West Outer Ring Street south of North Ring Road, The PRC	Residential Phase I	154,001	2019	0%	50.36%
		Commercial Phase I	20,234	2019	0%	50.36%
		Underground Phase I	78,039	2019	0%	50.36%
		Office Phase II	18,000	2020	0%	50.36%
		Commercial Phase II	65,136	2020	0%	50.36%
		Underground Phase II	47,950	2020	0%	50.36%
		Residential Phase III	271,623	2021	0%	50.36%
		Underground Phase III	102,830	2021	0%	50.36%
Chengdu Albany Garden	555 Ganghua Road, Hongguang Town, Pi County, Chengdu City, Sichuan Province, The PRC	Residential Phase II Section 2	94,887	2019	30%	100%
SRE Pudong Coastal Project	Yongfa Road, Pudong New District, Shanghai, The PRC	Residential	58,178	Not yet decide	0%	98.75%
The Atelier	45-53 Sinclair Road, London, UK	Residential	6,397	2019	0%	92.90%
75 Howard Project	75 Howard Street San Francisco,USA	Residential	32,542	2020	0%	80%
Napa County Project	Devlin Road, Napa San Francisco, USA	Hotel	37,922	Not yet decide	0%	79.6%

Details of completed investment properties:

Project	Location	Land Use	GFA (sqm)	Group's Equity Interest (%)
Shenyang Richgate	No.118, Harbin Road, Shenhe District, Shenyang City, Liaoning Province, The PRC	Commercial	245,252	100%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, The PRC	Retail & Office	32,602	95.79%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, The PRC	Retail	6,499	95.79%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, The PRC	Car Park	57,045	95.79%
Unit 2605, 2606, 26(3A), 2803, 2806 and 28(3A) of Universal Mansion	No. 172 Yuyuan Road, Jing'An District, Shanghai, The PRC	Office	732	98%
Transportation Hub of Lake Malaren	No. 1088, Luofen Road, Baoshan District, Shanghai, The PRC	Commercial	29,398	72.63%
Retail Street of Lake Malaren	Lane 989, Luofen Road and Lane 555, Luofen Road, Baoshan District,	Commercial	72,948	72.63%
41 Tower Hill	41 Tower Hill, London, EC3N 4SG	Office & Car Park	21,189	100%
12 Moorgate	12 Moorgate London EC2R 6DA	Office	3,151	100%

Corporate Information

Board of Directors

He Binwu *(Chairman)*
Peng Xinkuang *(Chief Executive Officer)*
Chen Donghui
Chen Chao
Shi Janson Bing
Zhu Qiang
Qin Wenying
Zhuo Fumin*
Chan, Charles Sheung Wai*
Ma Lishan*
Han Gensheng*

* Independent Non-executive Directors

Authorized Representatives

He Binwu
Peng Xinkuang

Company Secretary

Pang Ka Fai Angus

Principal Place of Business in Hong Kong

Suite 1001, 10th Floor
One Pacific Place
88 Queensway
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Adviser

Norton Rose Fulbright Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Bankers

Hong Kong:	The Agricultural Bank of China CITIC Bank International Limited
PRC:	The Industrial and Commercial Bank of China The Agricultural Bank of China China Construction Bank Shanghai Pudong Development Bank Xiamen International Bank China Minsheng Bank China Merchants Bank

Stock Code

1207

Internet Web Site

www.sre.com.cn

E-mail

general@sregroup.com.hk