SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

UNAUDITED INTERIM RESULT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

Group Financial Highlights

	For the six months ended 30 June 2007
Turnover (HK$'000)	**834,407**
Gross Profit (HK$'000)	**345,387**
Gross Profit Margin (%)	**41%**
Net Profit attributable to equity holders of the Company (HK$'000)	**522,304**
Basic earnings per share (HK cents)	**24.1**
Dividend per share-Interim (HK$)	**–**

Interim Results

The Board of Directors ("the Board") of SRE Group Limited is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2007, together with comparative figures for the previous corresponding period in 2006. The unaudited interim financial statements for the six months ended 30 June 2007 have been reviewed by the Company's Audit Committee.

Condensed Consolidated Income Statement

For the six months ended 30 June 2007 (Amounts expressed in HK$'000, expect for earnings per share)

	Note	**2007 (Unaudited)**	2006 (Unaudited)
Turnover	2	**834,407**	2,197,420
Cost of sales		**(489,020)**	(1,195,257)
Gross profit		**345,387**	1,002,163
Selling and marketing costs		**(34,882)**	(85,340)
Administrative expenses		**(64,762)**	(43,577)
Other gains – net		**627,572**	–
Operating profit		**873,315**	873,246
Finance costs		**(50,986)**	(24,006)
Share of results of associates		**18,897**	(22,077)
Profit before income tax		**841,226**	827,163
Income tax expense	3	**(276,348)**	(300,882)
Profit for the period		**564,878**	526,281
Attributable to:			
Equity holders of the Company		**522,304**	302,443
Minority interests		**42,574**	223,838
		564,878	526,281
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic	4	**24.1 cents**	16.8 cents
– Diluted	4	**23.3 cents**	16.8 cents
Interim Dividends	5	–	–

Condensed Consolidated Balance Sheet

As at 30 June 2007 (Amounts expressed in HK$'000 unless otherwise stated)

	Note	Group 30 Jun 2007 (Unaudited)	Group 31 Dec 2006 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,166,529**	1,142,028
Investment properties		**1,429,517**	765,328
Leasehold land		**254,935**	244,827
Properties under development for long-term investment		**584,904**	277,325
Intangible assets		**77,542**	75,512
Interests in associated companies		**109,819**	549,647
Financial assets at fair value through profit or loss		**564,683**	550,014
Deferred tax assets		**9,896**	8,122
		4,197,825	3,612,803
Current assets			
Leasehold land		**2,695,669**	2,588,791
Properties held or under development for sale		**5,009,746**	2,375,308
Contracts work-in-progress		**–**	8,200
Inventories, at cost		**3,650**	748
Amount due from related companies		**102,054**	266,194
Prepayments and other current assets		**76,917**	65,979
Other receivables		**345,000**	252,789
Accounts receivable, net	6	**118,115**	20,186
Prepaid income tax		**81,051**	26,718
Cash and bank balances		**1,213,355**	1,025,904
		9,645,557	6,630,817
Total assets		**13,843,382**	10,243,620
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital and premium		**1,962,279**	1,871,130
Other reserves		**228,568**	155,307
Retained earnings		**1,076,340**	597,130
		3,267,187	2,623,567
Minority interest		**452,098**	396,981
Total equity		**3,719,285**	3,020,548

	Note	Group 30 Jun 2007 (Unaudited)	31 Dec 2006 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**2,747,594**	1,175,053
Guaranteed notes		**1,535,167**	1,535,167
Deferred tax liabilities		**527,347**	283,169
		4,810,108	2,993,389
Current liabilities			
Short-term borrowings		**2,003**	356,676
Convertible bonds, current portion		**42,361**	106,560
Advances received from the pre-sale of properties under development		**2,248,190**	963,755
Accounts payable	7	**577,240**	860,701
Other payables, accruals and derivative financial instruments		**1,263,723**	1,176,708
Current income tax liabilities		**396,699**	528,350
Amount due to related companies		**–**	1,464
Long-term borrowings, current portion		**783,773**	235,469
		5,313,989	4,229,683
Total liabilities		**10,124,097**	7,223,072
Total equity and liabilities		**13,843,382**	10,243,620
Net current assets		**4,331,568**	2,401,134
Total assets less current liabilities		**8,529,393**	6,013,937

Note to the Financial Statements

(Amounts expressed in HK$'000 unless otherwise stated)

1. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Financial Reporting Standards.

2. Turnover

Turnover recognized during the period are as follows:

	For the six months ended 30 June	
	2007	2006
Sales and pre-sale of properties held or under development	**825,248**	2,354,855
Revenue from construction of infrastructure for intelligent network and sale of network hardware and installation of intelligent home equipment	**25,935**	7,688
Revenue from property leasing	**13,782**	243
Others	**8,981**	–
	873,946	2,362,786
Less: Business tax and surtaxes	**(39,539)**	(165,366)
Net	**834,407**	2,197,420

Note: The Group is subject to business tax ("BT") at 5% on the revenue from the sale/pre-sale of properties and the installation of intelligent home network equipment and rental, and at 3% on the revenue from building of intelligent network infrastructure facilities (after deduction of appropriated amounts). Some subsidiaries are subject to the following surtaxes:

– City development tax, a tax levied at 5% to 7% of BT or Value-Added Tax ("VAT");

– Education supplementary tax, a tax levied at 3% of BT or VAT.

3. Taxation

	For the six months ended 30 June	
	2007	2006
Current taxation in the PRC		
– Enterprise income taxation	**5,480**	36,372
– Land appreciation taxation	**38,320**	–
	43,800	36,372
Deferred taxation in the PRC		
– Enterprise income taxation	**232,548**	264,510
– Land appreciation taxation	**–**	–
	232,548	264,510
Taxation charge	**276,348**	300,882

(a) Income tax expense

The Group conducts a significant portion of its business in the PRC and the applicable enterprise income tax ("EIT") rate of its subsidiaries operating in the PRC is generally 33% other than Wingo Infrastructure, a Sino-foreign equity joint venture, which is established within the technological economic development zone of an old urban district of a city, where applicable EIT rate for the period is 27%.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of transaction and revenue recognition, based on certain estimations.

The Company is exempted from taxation in Bermuda until 2016. There were also no Hong Kong profits tax liabilities, as the Group did not have any assessable profit in Hong Kong.

(b) Land appreciation tax ("LAT")

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

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transaction and revenue recognition, generally based on 1% to 2% on advances received.

(c) Business tax ("BT") and surtaxes

The Group is subject to business tax ("BT") at 5% on the revenue from the sale/pre-sale of properties, installation of intelligent home equipment and property leasing, and at 3% on the revenue less payments to subcontractors from the construction of infrastructure for intelligent network. On top of BT, some subsidiaries are subject to the following surtaxes:

– City development tax, a tax levied at 5% to 7% of BT or Value-Added Tax ("VAT");

– Education supplementary tax, a tax levied at 3% of BT or VAT.

(d) Value-added Tax ("VAT")

The Group is subject to VAT, which is levied at a general rate of 17% on the gross turnover upon sale or purchase of goods. An input credit is available whereby VAT previously paid on purchases of raw materials, semi-finished products, etc., may be used to offset the VAT payable on sales to determine the net VAT payable. Sales and purchases are stated net of VAT in the consolidated profit and loss account.

4. Earnings Per Share

The calculation of earnings per share was based on the consolidated net profit of HK$522,304,406 (2006: HK$302,443,000) and the weighted average number of 2,168,042,993 shares (2006: 1,795,879,387 shares) in issue during the period. The calculation of diluted earnings per share was based on the consolidated net profit of HK$523,256,725 (2006: HK$302,443,000) and the diluted weighted average number of 2,249,421,989 shares (2006: 1,803,047,846 shares) in issue during the period.

5. Dividend

The Board had resolved not to declare an interim dividend for the six months ended 30 June 2007 (2006: Nil).

6. Accounts Receivable, Net

Aging analyses of accounts receivable are:

	Group	
	30 June 2007	31 December 2006
Accounts receivable	**118,115**	22,163
Less: Provision for doubtful accounts	–	(1,977)
	118,115	20,186

An aging analysis of accounts receivable is set out below:

	30 June 2007	31 December 2006
Within 1 year	**118,115**	10,067
1 – 2 years	–	10,119
Over 2 years	–	1,977
	118,115	22,163

The carrying amounts of the Group's accounts receivables were denominated in RMB, and approximated their fair value. There is no concentration of credit-risk with respect to accounts receivables, as the Group has a large base of customers.

7. Accounts Payable

	Group	
	30 June	31 December
	2007	2006
Accounts payable	**577,240**	860,701

An aging analysis of accounts payable is set out below:

	30 June	31 December
	2007	2006
Within 1 year	**574,889**	854,779
1 – 2 years	**2,351**	5,175
Over 2 years	**–**	747
	577,240	860,701

Accounts payable with aging of more than one year generally represent retention monies held by the Group in connection with various property projects. The carrying amounts of accounts payable approximated their fair value.

Management Discussion and Analysis

Financial Review

During the period under review, the Group recorded a net turnover of approximately HK$834 million (2006: HK$2,197 million), a decrease of approximately 62% compared with that of the corresponding period of last year. Profit attributable to equity holders of the Company amounted to approximately HK$522 million (2006: approximately HK$302 million), an increase of approximately 73% compared with that of the corresponding period of last year.

The decrease in net turnover for the period was mainly due to the delivery day for a significant portion of properties sold during the period falling in the second half instead of the first half of the year. The increase in profit attributable to equity holders of the Company was mainly due to a net fair value gain on investment properties of approximately HK$477 million.

Liquidity and Financial Resources

The Group's liquidity position remains sound. Cash and bank balances amounted to approximately HK$1,213 million as at 30 June 2007 (31 December 2006: approximately HK$1,026 million). Working capital (net current assets) of the Group as at 30 June 2007 amounted to approximately HK$4,332 million (31 December 2006: approximately HK$2,401 million), an increase of approximately 80%. Current ratio was at a healthy level of 1.82x (31 December 2006: 1.57x).

As at 30 June 2007, the aggregate bank borrowings of the Group amounted to approximately HK$3,533 million (31 December 2006: approximately HK$1,767 million).

At the balance sheet date, the Group's gearing ratio was 61% (31 December 2006: 58%), calculated on the basis of the Group's net borrowings (after deducting cash and cash equivalents) over total capital (equity plus net borrowings).

Management is of the opinion that existing financial resources will be sufficient for future expansion plans.

Charges on Assets and Contingent Liabilities

As at 30 June 2007, bank borrowings of approximately HK$3,372 million (31 December 2006: approximately HK$1,674 million) were secured by pledge of the Group's leasehold land, together with properties held under development for sale and construction-in-progress.

As at 30 June 2007, the Group had contingent liabilities of approximately HK$0.86 million (31 December 2006: approximately HK$58 million) in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures.

Business Review

During the first half of 2007, the property markets throughout China and in Shanghai have been developing in a relatively fast pace, and the effective demand was seen to be returning to a greater extent. As emphases have been given to the strengthening in properties sales, a faster fundflow cycle containment over total loans and reduction in finance costs, so as to maintain a steady and healthy development of the Group as a whole, the various tasks proceeded steadily and satisfactory results have been achieved.

Sales Progress

The Group's projects under sales in 2007 included "Rich-Gate Oasis Garden", "Cedar Oasis Garden", "Thousand Island Oasis Garden", "Oasis Central-Ring Centre", "Jiangnan Oasis Garden", "Albany Oasis Garden" and "Beverly Oasis Garden".

On the basis of the operating strategies of "strengthening our marketing efforts, selling stock-in-hold, lowing gearing ratio" put forward at the beginning of the year, during the first half of 2007, the project companies of the Group continued to implement effective sales strategies in response to rapid growing market demands by adopting the theme of "Helping owner to create new home", grasp the market opportunities and maximize sales. These have brought satisfactory results to sales. As a result of the striving to excellence and self-improvement, the projects developed by the Group have achieved the sublime of "from products to merchandizes and then to specialty products and lastly to masterpiece". For the period from January to June 2007, a total contracted saleable GFA of 117,833 square meters was achieved, representing a contracted amount of approximately RMB1,445 million. In which, *Rich-Gate Oasis Garden*

Being a landmark of luxurious property in Shanghai, Rich-Gate Oasis Garden maintained good results in sales for its outstanding quality and strong brand name against the background of healthy development of the sales as a whole in market. During the first half of 2007, a total GFA under contracted sale of approximately 1,481 square meters was sold, representing a contracted amount of approximately RMB102 million.

Cedar Oasis Garden

As there are many properties newly constructed in the peripheral of Song Jiang region and the competition are becoming more and more competitive, the Group has put forward the promotion of enhancing products specialty and the marketing strategies of timing and reality and adjusted the product package from the original "Brand New and Life, 2006 Enhanced" to "Brand New and Life, Fully Configured Apartments" and introduced the new concept of "Beyond Expectation, Cater for the Future Apartment Demand" to invent another way to sell the properties in Shanghai by leveraging on its leading market positioning and new sales concept of "法式白". A total of 110 apartments were sold on 31 March 2007, the first date of sales of the residential units of Cedar Garden located in Lot B, and satisfactory results of selling a total of 184 apartments in a single week have been recorded (the number of apartments launched were increased twice due to the good market response). As at 30 June 2007, a total GFA under contracted sale of approximately 59,189 square meters was sold, representing a contracted amount of approximately RMB500 million.

Thousand Island Oasis Garden

Villas have become more precious in China as land supply for villas has been suspended. Thousand Island Oasis Garden has passed the stringent examination criteria of "Residential Districts with Four Highs 2006", making it as the only villa-type property to have awarded the honor in Nan Hui region. During the year in which a greater release was seen in the market demand for properties, overwhelming response to villas properties was received, and the Company grasped the sales opportunities. As at 30 June 2007, Thousand Island Oasis Garden achieved sales of 40 villas, a total GFA under contracted sale of approximately 22,353 square meters was sold, representing a contracted amount of approximately RMB263 million.

Oasis Central-Ring Centre

Oasis Central-Ring Centre fully utilized the advantages of the booming property market to strengthen the sales efforts. Currently not only the residential stocks of the Lakefront Oasis Garden have been sold out, the Company, through its excellent marketing planning for commercial properties and client-oriented marketing approach combined with its outdoor media edges, launched Office Tower 7 to the market by end of April. As at 30 June, sales contracts of around 106 units of Office Tower 7 have been signed, representing 87% of the saleable units and ranking number one in the "Office Sales in Shanghai" for 3 consecutive weeks. During the first half of 2007, a total GFA under contracted sale of approximately 17,489 square meters was sold, representing a contracted amount of approximately RMB244 million.

Jiangnan Oasis Garden

Jiangnan Oasis Garden achieved good results of sales during the first half of 2007 as the concept of "Full Member Promotion" has been consistently applied and the "Full Member Promotion Campaign 2007" has been implemented. As at 30 June 2007, a total GFA under contracted sale of approximately 2,402 square meters was sold, representing a contracted amount of approximately RMB43 million.

Albany Oasis Garden

Continuing its satisfactory results of sales in 2006, during the half year period ended 30 June 2007, Albany Oasis Garden completed a total GFA under contracted sale of approximately 8,969 square meters, representing a contracted amount of approximately RMB162 million.

Beverly Oasis Garden

The Phase III of Beverly Oasis Garden, which is represented by luxurious villas group, is on sale. As at 30 June 2007, a total of 8 units of villas were sold. A total GFA under contracted sale of approximately 5,234 square meters was sold, representing a contracted amount of approximately RMB115 million.

Development Progress

Quality is the element for products to compete in market and the lifeline of enterprises. The Group and its fellow projects companies have progressed according to plans set up for the properties development in 2007 at the beginning of the year. Team works, adherence to development schedules, high quality and efficiency have together contributed to the good progress of the project development and quality of construction. Of which,

Cedar Oasis Garden

Currently the foundation work of section 2.1 and section 2.2 of Lot B of the Cedar Oasis Garden has basically been completed and set over to the decoration work according to the development schedules set up at the beginning of the year.

Thousand Island Oasis Garden

The foundation work of villas in Phase III, the clubhouse and property security dormitory of Thousand Island Oasis Garden have all been completed and the respective auxiliary construction has commenced in full force according to the production progress schedule.

Jiangnan Oasis Garden

The templet apartments in Phase II, Jiangnan Oasis Garden are the major subjects of Phase II sales. It took only three months to complete the design, construction, relocation and delivery for use, and new attractions and scenes were also added to Phase II so that the scenes of the properties are more attractive.

Skyway Landis Hotel

With the design, construction, facilities and decoration in full force, Skyway Landis Hotel commenced its trial operations on 28 April 2007.

Oasis Central-Ring Centre

As at 30 June 2007, the exterior decoration work of No. 4, 5, 8 and 9 buildings of Oasis Central-Ring Centre (complex properties) was completed and around 80% of the interior basic decoration and constructive installation were completed; 50% of the exterior decoration work of No. 7 building was completed, around 70% of the fire services work was completed and 50% of the installation works for water and electricity was completed, the construction units and the implementation plans of the sectional decoration, ventilation and low voltage switchgear already confirmed and commenced. 80% of the overall public basement carpark was completed. As at 30 June 2007, 60% of the exterior decoration work of No. 3 building was completed and the exterior decoration work of No. 1 and 2 buildings have commenced, and the installation works for water and electricity and the high and low voltage switchgear have commenced.

Albany Oasis Garden

The construction of Lot D Tower No. 1, 2 and 3 of Albany Oasis Garden has commenced, of which No. 2 building passed the construction inspection of "premium structure of hotel (白玉蘭)" award. 4 small villas have commenced interior stucco and exterior stone work. 80% of the greenery work of the properties was completed, the fire services system has commenced its adjustment and testing. 90% of the installation of facilities like water, electricity, gas and telecom was completed.

Shenyang Rich-Gate

The Shenyang Rich-Gate project has been divided into two phases, of which the construction of Phase I is in good progress and control over its quality of satisfactory. Except for the electricity design, other design works fulfilled the basic construction requirements and the business decoration and design completed the alteration construction. The internal design of No. 4 and 5 buildings is underway, while decoration works of No. 1, 2 and 3 buildings made good progress. The Phrase II construction was under preparation and completed the preliminary phase of the market research of the project and carried out a number of argumentation with the units with related designs in respect of Phase II.

Qinhai

Qinhai locates in the Lot of 717-719 Jie Lane and situates in the most busy region of Shanghai Municipality and south to the planning district of 2010 World Expo, west to Puxi district which will be the main entrance of 2010 World Expo. Qinhai has carried out the optimization in design. As at 30 June, the North Lot of the project has already relocated 54% of the residents in North Lot. The South Lot passed the "南清" to gather information in respect to the residents to be relocated.

Operation of Commercial Property

During the year, the Group further strengthened its efforts in the operation and management of the commercial property of leasing and achieved preliminary successes, pursuant to the Group's development strategy to transform itself from a residential property developer into an integrated real estate operator that develops and leases residential, shopping malls, hotels and office spaces, in which,

Shops at Rich-Gate

The shops at Shanghai Rich-Gate locates in the prosperous commercial district of Huaihai Road and is adjacent to Xintiandi. The shops with GFA of approximately 11,000 square meters cover 1st floor, 2nd floor and underground floor. It combines the concepts of commercial outlets with themes of Xintiandi's leisure and entertainment district, the high-end retail centre along Huaihai Road and the high-end residential district near Taiping Lalu, and is one of the rare large scale shopping centres in Xintiandi district. In January 2007, Shenyang Huajian Real Estate Co., Ltd, a subsidiary of the Group acquired all the properties titles of the shops at Shanghai Rich-Gate so that the Group holds 100% beneficial interests and oversees the operation.

Currently, 90% of the shops on the 1st floor and 2nd floor were leased and commenced operations.

Skyway Landis Hotel

With a height of 226 meters (2 floors underground and 52 floors above the ground), Sky Oasis Garden Hotel is ranked as No. 1 highest single structure hotel in Puxi. With 666 rooms with a GFA of approximately 100,000 square meters, it is also ranked No. 1 largest single structure hotel in Shanghai. The hardware of the hotel was built in a standard exceeding 30% above the "Accreditation Standards of Five-Star Hotels" set out by the National Tourism Commission.

Skyway Landis Hotel commenced its trial operations on 28 April 2007, currently the operating situation is steadily improving.

Oasis Central-Ring Centre

Oasis Central-Ring Centre, with a GFA of approximately 300,000 square meters, comprises 3 residential high rises, 3 office towers of international standard, 1 shopping mall and 2 high star-graded hotel and service apartment hotel. The sales department of the project company conducted a series of market and business expansion research according to the geographical locations of the properties, the commercial environment of the adjacent regions and the concept of construction and planning, which, in addition to help secure the number of customers, help formulate some requirements for merchants, with respect to brand name as well as management, to prepare for the commencement of operation in 2008.

Shengyang Rich-Gate

The shopping mall increased its sales effort based on the target of first operating year formulated at the beginning of 2006. As at 30 June, lease contracts and contracts under negotiation in respect of a total of 69 shops completed, representing lease areas of approximately 30,000 squares meters. Of which, the lease areas for catering segment completed representing 76% of the planned lease areas, the lease areas for entertainment segment completed representing 80% of the planned lease areas, the lease areas for shopping segment completed representing 26% of the planned lease areas and the lease areas for ornament and household segment completed representing 13% of the planned lease areas.

Property Management

Following the obtaining of Shanghai Real Estate Property Management Company Limited ("SREP"), a subsidiary of the Group, of the first class qualification, breakthroughs with respect to corporate governance, services management and operation expansion etc. have been made. By leveraging on its excellent services to landlords, the three major specialty services of "professional considerate services, customized specialty services and English caretaking services" have been gradually formed and the brand images of SREP in the Group and in the industry have been established gradually and the brand position in the society has been built-up in the first instance. During the first half of 2007, SREP obtained "Top 100 Properties Enterprises in China (中國物業百強企業)", "Outstanding Members in Shanghai Municipality Properties Management Industry (上海市物業管理行業優秀會員單位)" and "Top 100 Enterprises for Properties Management and Loyalty Brand in China (中國物業管理誠信品牌百強企業)".

Change of Name

With the implementation of the strategies across the country, the business development of the Group has been extended to areas other than Shanghai. Effective from 7 May 2007, the name of the Group was changed to SRE Group Limited from Shanghai Real Estate Limited to better reflect the diversified real estates business operated by the Group in the whole country.

Acquisition of Subsidiaries

On 3 November 2006, Mayson Resources Limited, a wholly-owned subsidiary of the Compnay, entered into a sale and purchase agreement (the "S&P Agreement") with three joint venture partners of Shanghai Shuo Cheng Real Estate Company Limited ("Shuo Cheng") to purchase their 55% equity interest in Shuo Cheng at a total consideration of approximately HK$33 million. The renewed business licence of Shuo Cheng and approval from the shareholders of the Company were obtained in January 2007. Thereafter, Shuo Cheng becomes a subsidiary of the Group.

On 29 June 2007, Welton Resources Limited, a wholly-owned subsidiary of the Company, entered into a transfer agreement (the "Transfer Agreement") with Shanghai Haizhan Investment and Management Company Limited to acquire the remaining 49% equity interest in Shanghai Zhufu Property Company Limited for a consideration of approximately HK$70 million.

Additional Information on Associated Companies

The Company, on 28 November 2006, 29 December 2006 and 8 February 2007, announced that, among other things, the possible separate listing of its interests in Shanghai Jinluodian Development Company Limited ("Jinluodian"), a company primarily engaged in the planning, infrastructure development and raw land preparation of new towns in the PRC. An application has been recently made to a stock exchange outside Hong Kong for the proposed listing of CNTD, the holding company of Jinluodian. As at 30 June 2007, the Company had 49% interest in CNTD and CNTD, through two wholly-owned subsidiaries, has approximately 72.63% effective interest in Jinluodian. Both CNTD and Jinluodian are therefore associated companies of the Company.

Business Outlook

Steadily progress and growth of the economy in the PRC and Shanghai

The State government had imposed a series of macro policies and measures since 2007. The national economy has maintained its steady and rapid growth, manifesting a fast economic growth with good quality and efficiency, greater structural harmony and a situation whereby more people benefit.

According to the preliminary figures, the national GDP amounted to RMB10,676.8 billion, a period-on-period growth of 11.5% and accelerated by 0.5 percentage point compared with the corresponding period last year. From the perspective of industries, the value of tertiary industry increased by RMB4,184.4 billion, representing a growth of 10.6%.

The investment growth remains high. During the first half of the year, the fixed assets investment in the entire society amounted to RMB5,416.8 billion, representing a period-on-period growth of 25.9% and decreased by 3.9 percentage points, but increased by 2.2 percentage points compared to the previous quarter. Of which, urban investment amounted to RMB4,607.8 billion, a growth of 26.7% (increased by 28.5% in June), representing a decrease of 4.6 percentage points over the same period in last year but increased by 1.4 percentage points compared to the previous quarter. From the perspective of industries, the value of tertiary industry increased by 24.6%. In the first half of the year, the development and investment of real estate amounted to RMB988.7 billion, a period-on-period growth of 28.5% and representing an increase of 4.3 percentage points and up by 1.6 percentage points compared to the previous quarter.

In the first half of the year, the economy of Shanghai continued to develop steadily and healthily. The GDP of the whole municipality was RMB556,199 million, a growth of 13% as compared with the corresponding period in last year, representing a period-on-period increase of 0.4 percentage points. Of which, the value of the tertiary industry increased by RMB285,830 million, representing an increase of 14.1%. The value of the real estate industry increased by 9.1%, representing an increase of 4 percentage points.

Emphasis on the Implementation of Macroeconomic Control Measures

Owing to the excessive rapid increase of properties prices over the last few years, the government had imposed and consistently implemented a series of macroeconomic control measures. During the first half of 2007, there did not have any new and particular control measures issued against the real estate market on the macro basis. Stability and mildness have been the keynotes for the year.

The implementation of macroeconomic control measures further ratifies the unbalancing factors in the real estates sector; provide better development opportunities and wider rooms to real estate development operators who possess good development vision and strategy as well as adequate funding.

Macroeconomic Control Policies Gradually Gained Effect

On 24 July, the Statistics Bureau in Shanghai Municipality announced the national economics development figures in Shanghai for the first half of 2007. During the first half of the year, the real estate in Shanghai absorbed foreign direct investment contracted amount of US$1,108 million, a decrease of 41.2% as compared with the corresponding period in last year; realized amounts was US$890 million, an increase of 57% as compared with the corresponding period in last year.

Cai Xuchu, chief economist of Shanghai Municipal Statistics Bureau mentioned that the investment for real estate development in Shanghai amounted to RMB619,590 million, an increase of 6.2% as compared with the corresponding period in last year. Although the accumulated amounts growth was not obvious, it did present a steady trend throughout the first half of the year.

Property Investment Market Remains Buoyant

According to the research report recently issued by “Collier International”, an international renowned business survey company, during the first half of 2007, the property investment market in Shanghai remains buoyant with different degrees of growth recorded in rentals of residential properties, office and commercial outlets. A total of 10 investment projects have completed in the first half of the year, of which 4 of them were high-end residential buildings, 5 of them were office and complex projects and 1 of them was industrial real estates, involving an amount of US$1.3 billion.

Commodity Properties Market Booming

During the first half of the year, the growth of the sold area of commodity housing accelerated. According to the statistics of the national economics growth, the area sold of commodity housing was 15,069,600 square meters, a 25.7% increase over the corresponding period in last year and representing a growth of 6.8 percentage points. Of which, the sold area of commodity housing was 13,785,300 square meters, a 32% increase over the corresponding period in last year. During the same period, the monthly trend of the commodity housing grew slightly. According to the cycle index, the cycle growth accumulated in the first half of the year was 1%. The selling price of the commodity housing increased by 0.3% as compared with the corresponding period in last year.

Demand for Offices and Shops Continued to Rise

As we are optimistic about the high returns of the Shanghai Grade A office market and the overall economic growth in the PRC, during the first half of the year, foreign investors acquired a total of two office projects and three mixed projects, the aggregate areas of the aforesaid five projects amounted to 241,200 square meters.

During the first half of the year, as a result of the expansion and relocation of the financial, professional services, medical care, technology and consumer goods sectors, while the supply of new Grade A office was limited, the demand for the Grade A office continued to rise and the net absorbed areas of Grade A office reached 103,000 square meters. According to the statistics of Collier International, the undersupply resulted in the rise of the average monthly rentals of Grade A office to US$32.10 per square meter and the vacancy reached the lowest level in five years. In which, the vacancy rate of Pudong region dropped to 1.9%, while the whole city was 3.4%.

There will be an area of 7 million square meters of new shops in the next three years, most of which should be originated from the Inner-Ring regions. With the commencement of the large-scaled urban housing development, there will be a lot of outlets established by community.

The existing trend of the property development is to break the regional boundaries and continue to go extra miles by establishing presence across the country. Those property enterprises with competitive edges over others may establish the property brand countrywide and quickly realized "increase in size and increase in strengthen". Multi-regional development will have a significant change to the existing market structure.

In the second half of 2007, the Group will continue to carry out research and analysis on macroeconomic development and to facilitate its development, to enhance effective management policies and project execution, to implement the various tasks on systems previously formulated, to regulate its operation, to fulfill the regulation requirements and to enhance the internal corporate management so that we are able to develop in an more orderly pace. We will promote the abundant corporate cultural characterized by "innovation, efficiency, responsibility and sharing" which will further increase the Group's overall competitiveness.

Employees

As at 30 June 2007, the Group had retained 1,796 (2006: 1,290) employees in Hong Kong and the PRC. Total staff costs of the Group excluding directors' remuneration, for the period under review amounted to approximately HK$21 million (2006: approximately HK$17 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.

Purchase, Sale of Redemption of the Company's Listed Shares

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2007.

Directors' Compliance with the Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made of all Directors, who have confirmed that they compiled with required standard set out in the Model Code.

Audit Committee

The Company established an audit committee on 12th November 2001 with terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee has five members comprising the two non-executive Directors and the three independent non-executive Directors.

Corporate Governance

In April 2005 the company adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. Throughout the period, the company complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14.

Disclosure of Information on the Website of The Stock Exchange

The interim report for 2007 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the Stock Exchange website (http://www.hkex.com.hk) in due course.

On behalf of the Board
SRE Group Limited
Shi Jian
Chairman

Hong Kong, 25 September 2007

As at the date of this announcement, the Company's executive directors are Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Jiang Xu Dong; non-executive directors are Mr. Cheung Wing Yui and Mr. Jin Bing Rong; and independent non-executive directors are Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E. Hock Yap.

** For identification purpose only*