SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司

(Stock Code : 1207)

INTERIM REPORT 2013

Group Financial Highlights

	For the six months ended 30 June 2013
Revenue (HK$'000)	**1,347,646**
Net Profit attributable to owners of the parent (HK$'000)	**25,894**
Basic earnings per share (HK cents)	**0.46**
Dividend per share-Interim (HK cents)	**–**

Interim Results

The Board of Directors ("the Board") of SRE Group Limited is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2013 together with comparative figures for the previous corresponding period in 2012. The unaudited interim financial statements for the six months ended 30 June 2013 have been reviewed by the Company's Audit Committee.

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	For the six months ended 30 June 2013 Unaudited	2012 Unaudited
CONTINUING OPERATIONS			
Revenue	3	**1,347,646**	1,839,171
Cost of sales		**(989,483)**	(1,234,598)
Gross profit		**358,163**	604,573
Other gains – net	4	**4,816**	229,693
Selling and marketing costs		**(31,007)**	(27,477)
Administrative expenses		**(112,365)**	(111,217)
Operating profit		**219,607**	695,572
Finance income		**34,581**	10,934
Finance costs		**(154,276)**	(191,838)
Finance costs – net		**(119,695)**	(180,904)
Share of profits of associates		**895**	2,811
Profit before tax from continuing operations		**100,807**	517,479
Income tax expense	5	**(63,511)**	(255,455)
Profit for the period from continuing operations		**37,296**	262,024
DISCONTINUED OPERATION	6		
Loss for the period from discontinued operation		**–**	(49,429)
Profit for the period		**37,296**	212,595

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	For the six months ended 30 June 2013 Unaudited	2012 Unaudited
Other comprehensive income			
Item not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency		**170,205**	(73,486)
Other comprehensive income for the period, net of tax		**170,205**	(73,486)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**207,501**	139,109
Profit attributable to:			
Owners of the parent		**25,894**	228,856
Non-controlling interests		**11,402**	(16,261)
		37,296	212,595
Total comprehensive income attributable to:			
Owners of the parent		**185,764**	169,053
Non-controlling interests		**21,737**	(29,944)
		207,501	139,109
Earnings per share attributable to ordinary equity holders of the parent	7		
Basic			
– For profit for the period		**HK$0.46 cents**	HK$4.52 cents
– For profit from continuing operations		**HK$0.46 cents**	HK$5.21 cents
Diluted			
– For profit for the period		**HK$0.46 cents**	HK$4.52 cents
– For profit from continuing operations		**HK$0.46 cents**	HK$5.21 cents

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statement of Financial Position

As at 30 June 2013 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	30 June 2013 Unaudited	31 December 2012 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**1,161,738**	814,927
Completed investment properties		**4,878,692**	4,792,658
Prepaid land lease payments		**141,383**	141,391
Goodwill		**660,039**	648,399
Investments in associates		**78,811**	76,533
Derivative financial asset	9	**–**	74,608
Deferred tax assets		**538,026**	533,616
Non-current prepayments		**–**	192,000
		7,458,689	7,274,132
Current assets			
Prepaid land lease payments		**11,338,613**	11,260,559
Properties held or under development for sale		**7,743,001**	6,932,167
Inventories		**19,041**	11,487
Prepayments and other current assets		**231,327**	175,462
Other receivables		**613,200**	1,409,084
Trade receivables	10	**34,709**	31,121
Prepaid income tax		**272,518**	229,074
Cash and cash balances	11	**2,913,832**	2,032,007
		23,166,241	22,080,961
Total assets		**30,624,930**	29,355,093

Interim Consolidated Statement of Financial Position

As at 30 June 2013 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	30 June 2013 Unaudited	31 December 2012 Audited
EQUITY AND LIABILITIES			
Equity			
Issued capital and premium		**6,000,738**	6,000,738
Other reserves		**1,508,183**	1,695,316
Retained profits		**1,387,834**	1,361,940
Equity attributable to owners of the parent		**8,896,755**	9,057,994
Non-controlling interests		**308,473**	704,340
Total equity		**9,205,228**	9,762,334
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	12	**10,765,794**	6,670,834
Convertible bonds – host debts		**7,183**	7,183
Deferred tax liabilities		**1,980,303**	1,900,302
		12,753,280	8,578,319
Current liabilities			
Interest-bearing bank and other borrowings	12	**3,154,704**	4,403,928
Advances received from the pre-sale of properties under development		**1,541,500**	1,495,886
Trade payables	13	**2,026,685**	2,064,672
Other payables and accruals		**457,842**	871,367
Current income tax liabilities		**1,485,691**	1,617,048
Guaranteed senior notes	14	**–**	561,539
		8,666,422	11,014,440
Total liabilities		**21,419,702**	19,592,759
Total equity and liabilities		**30,624,930**	29,355,093
Net current assets		**14,499,819**	11,066,521
Total assets less current liabilities		**21,958,508**	18,340,653

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

(Unaudited)

From 1 January 2013 to 30 June 2013

Attributable to owners of the parent

	Issued capital and premium	Asset revaluation reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Equity component of convertible bonds	Retained profits	Total	Non-controlling interests	Total Equity
At 1 January 2013	6,000,738	1,211	320,136	1,460,228	(89,069)	2,810	1,361,940	9,057,994	704,340	9,762,334
Total comprehensive income for the period	–	–	–	159,870	–	–	25,894	185,764	21,737	207,501
Change due to increase in equity interests in a subsidiary	–	–	–	–	(347,003)	–	–	(347,003)	(417,604)	(764,607)
At 30 June 2013	6,000,738	1,211	320,136	1,620,098	(436,072)	2,810	1,387,834	8,896,755	308,473	9,205,228

(Unaudited)

From 1 January 2012 to 30 June 2012

Attributable to owners of the parent

	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Equity component of convertible bonds	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2012	5,791,714	1,211	248	291,131	1,478,517	(260,545)	179,361	3,006,887	10,488,524	2,485,979	12,974,503
Total comprehensive income for the period	–	–	–	–	(59,803)	–	–	228,856	169,053	(29,944)	139,109
Issuance of rights shares	212,427	–	–	–	–	–	–	–	212,427	–	212,427
Capital contribution from Non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	2,462	2,462
Equity-settled share options to management of a subsidiaries	–	–	–	–	–	1,159	–	–	1,159	543	1,702
Surplus reserve transfer to retained profits due to disposal of a subsidiary	–	–	–	(2,004)	–	–	–	2,004	–	–	–
At 30 June 2012	6,004,141	1,211	248	289,127	1,418,714	(259,386)	179,361	3,237,747	10,871,163	2,459,040	13,330,203

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	For the six months ended 30 June **2013 unaudited**	2012 unaudited
Cash flows from operating activities			
Cash used in operations	17	**(603,251)**	(148,415)
Income tax paid		**(255,510)**	(362,341)
Net cash flows used in operating activities		**(858,761)**	(510,756)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(156,534)**	(195,825)
Proceeds from disposal of property, plant and equipment		**965**	20
Payments for investment properties		**–**	(1,062)
Investments in joint ventures		**–**	(23,997)
Disposal of subsidiaries		**248,818**	(102,667)
Cash receipts in connection with acquisition of Konmen Investment Limited		**532,622**	–
Investment in an subsidiary in the progress of registration		**(19,035)**	–
Decrease in time deposits with original maturity of over three months		**2,466**	4,934
Interest received		**2,805**	7,294
Net cash flows generated from/(used in) investing activities		**612,107**	(311,303)
Cash flows from financing activities			
Increasing in borrowings		**2,645,168**	1,759,652
Payments for the redemption of Guaranteed Senior Notes		**(566,922)**	–
Proceeds from issuance of new shares		**–**	212,427
Payment for acquisition of non-controlling interest of a subsidiary from a non-controlling shareholder		**(458,000)**	–
Increase in pledged bank deposits		**(795,924)**	(43,549)
(Increase)/decrease in restricted deposits in relation to bank borrowings		**(2,549)**	12,221
Cash received from the capital injection from non-controlling shareholders of subsidiaries		**–**	2,462
Interest paid		**(513,886)**	(598,220)
Net cash flows from financing activities		**307,887**	1,344,993
Net increase in cash and cash equivalents		**61,233**	522,934
Cash and cash equivalents at beginning of period		**1,253,004**	1,355,995
Effect of foreign exchange rate changes, net		**23,047**	(7,457)
Cash and cash equivalents at end of period		**1,337,284**	1,871,454

Note to the Financial Statements

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

1. Basis of preparation and accounting policies

1.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

1.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new and revised standards and interpretations as of 1 January 2013, as described below:

HKAS 1 Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1

The amendments become effective for annual periods beginning on or after 1 July 2012. The amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). Currently, the amendment affected presentation only and had no impact on the Group's financial position or performance.

Note to the Financial Statements

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

1. Basis of preparation and accounting policies (continued)

1.2 Significant accounting policies (continued)

HKAS 19 Employee Benefits (Revised 2011)

The amended standard becomes effective for annual periods beginning on or after 1 January 2013. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. Currently, the amendments did not have any significant impact on the Group's financial statements.

HKFRS 1 Government Loans – Amendments to HKFRS 1

The amendments are effective for annual periods on or after 1 January 2013. The amendments require first-time adopters to apply the requirements of HKAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to HKFRS. Entities may choose to apply the requirements of HKFRS 9 (or HKAS 39, as applicable) and HKAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. Currently, the amendments did not have any impact on the Group's financial statements.

HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to HKFRS 7

The amendments become effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. Currently, these amendments did not have any significant impact on the Group's financial statements.

Note to the Financial Statements

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

1. Basis of preparation and accounting policies (continued)

1.2 Significant accounting policies (continued)

HKFRS 13 Fair Value Measurement

This standard becomes effective for annual periods beginning on or after 1 January 2013. HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. Currently, the application of HKFRS 13 did not have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC)-Int 20 becomes effective for annual periods beginning on or after 1 January 2013. This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of a mine. The interpretation addresses the accounting for the benefit from the stripping activity. Currently, the new interpretation did not have any significant impact on the Group's financial statements.

Annual Improvements 2009-2011 Cycle (issued in June 2012)

The Annual Improvements to HKFRSs 2009-2011 Cycle sets out amendments to a number of HKFRSs. The amendments become effective from 1 January 2013. There are separate transitional provisions for each amended standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments currently had any significant impact on the Group's financial position or performance.

The Group has early adopted HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011) and the consequential amendments to other standards for the year ended 31 December 2012. The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments 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 hotel operations segment provides hotel accommodation, hotel catering and conference hall services; and
- The corporate and other operations segment comprises, principally, the 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 tax and the methodology used for its calculation is same as that for the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

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

Note to the Financial Statements

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

2. Operating Segment Information (continued)

An analysis by business segment is as follows:

	Six months ended 30 June 2013 (unaudited)				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue					
Sales to external customers	1,118,822	60,385	92,854	75,585	1,347,646
Intersegment sales	–	–	–	139,571	139,571
	1,118,822	60,385	92,854	215,156	1,487,217
Reconciliation:					
Elimination of intersegment sales					(139,571)
Revenue					1,347,646
Segment profit/(loss)	194,830	37,984	7,322	(20,529)	219,607
Finance income					34,581
Finance costs					(154,276)
Finance costs – net					(119,695)
Share of profits of associates					895
Profit before tax					100,807

Note to the Financial Statements

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

2. Operating Segment Information (continued)

Six months ended 30 June 2012 (unaudited)

	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue					
Sales to external customers	1,610,185	76,446	81,695	70,845	1,839,171
Intersegment sales	–	–	–	50,362	50,362
	1,610,185	76,446	81,695	121,207	1,889,533
Reconciliation:					
Elimination of intersegment sales					(50,362)
Revenue					1,839,171
Segment profit/(loss)	479,456	31,692	(34,538)	218,962	695,572
Finance income					10,934
Finance costs					(191,838)
Finance costs – net					(180,904)
Share of profits of associates					2,811
Profit before tax from continuing operation					517,479

Note to the Financial Statements

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

3. Revenue

Revenues recognised during the period are as follows:

	(unaudited) For the six months ended 30 June 2013	2012
Sale of development properties	**1,182,053**	1,704,601
Hotel operations	**98,412**	86,576
Revenue from property leasing	**57,037**	82,969
Property management income	**78,676**	74,339
Revenue from construction of infrastructure for an intelligent network	**9,722**	534
Other revenue	**4,511**	–
	1,430,411	1,949,019
Less: Business tax and surcharges (a)	**(82,765)**	(109,848)
Total revenue	**1,347,646**	1,839,171

(a) Business tax and surcharges

Business tax is 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.

Government surcharges, comprising City Maintenance and Construction Tax, Education Surtax and River Way Management Fee, are calculated at certain percentages of business tax.

Note to the Financial Statements

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

4. Other Gains – net

	(unaudited) For the six months ended 30 June 2013	2012
Gain on disposal of a subsidiary	–	226,121
Others	**4,816**	3,572
	4,816	229,693

5. Tax

	(unaudited) For the six months ended 30 June 2013	2012
Current taxation		
– Mainland China income tax (a)	**40,244**	206,522
– Mainland China LAT (c)	**12,872**	49,027
	53,116	255,549
Deferred taxation		
– Mainland China income tax	**(677)**	(8,652)
– Mainland China LAT	**(32)**	(27,359)
– Mainland China withholding tax (d)	**11,104**	35,917
	10,395	(94)
Total tax charge for the period	**63,511**	255,455

Note to the Financial Statements

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

5. Tax (continued)

(a) Mainland China income tax

The Group conducts nearly entirely all 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.

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2016. 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.

(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 1.5% to 5% on proceeds of the sale and pre-sale of properties.

5. Tax (continued)

(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.

6. Discontinued operation

During 2012, the Company distributed its entire holding of the shares in China New Town Development Company Limited ("CNTD", the Company's former subsidiary) to the Company's shareholders via a special dividend in the form of a distribution in species (the "Distribution"). Upon completion of the Distribution, from 3 October 2012, the Group no longer holds any share in CNTD, and hence, CNTD and its subsidiaries (collectively, the "CNTD Group") ceased to be subsidiaries of the Company.

Also, since the CNTD Group's operations and cash flows were clearly distinguished from the rest of the Group, the CNTD Group is a discontinued operation.

The results of the discontinued operation (i.e., the CNTD Group) for the period ended 30 June 2012 as presented below are the results as reported in the Group's consolidated financial statements that are attributable to the CNTD Group, which differed from the results in the CNTD Group's own financial statements because the results of the discontinued operation presented below incorporated such necessary consolidation adjustments as the effects arose from the application of the acquisition method of accounting used in business combination (when CNTD became a subsidiary in 2009), and the effects of inter-company transactions between the CNTD Group and the rest of the Group before 30 June 2012.

Note to the Financial Statements

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

6. Discontinued operation (continued)

	(Unaudited) For the six months ended 30 June 2012
Revenue	152,941
Cost of sales	(114,017)
Gross profit	38,924
Other gains – net	75,108
Selling and marketing costs	(47,742)
Administrative expenses	(75,147)
Operating loss of the discontinued operation	(8,857)
Finance income	3,620
Finance costs	(43,411)
Finance costs – net	(39,791)
Share of profits of joint ventures	351
Loss before tax from discontinued operation	(48,297)
Income tax expense	(1,132)
Loss for the period from discontinued operation	(49,429)

The net cash flows incurred by the CNTD Group are as follows:

	(Unaudited) For the six months ended 30 June 2012
Operating activities	(184,959)
Investing activities	(110,513)
Financing activities	171,299
Net cash outflow	(124,173)
Loss per share:	
– Basic, from the discontinued operation	HK$(0.69 cents)
– Diluted, from the discontinued operation	HK$(0.69 cents)

Note to the Financial Statements

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

6. Discontinued operation (continued)

The calculations of basic and diluted loss per share amounts from the discontinued operation are based on:

	(Unaudited) For the six months ended 30 June 2012
Loss attributable to ordinary equity holders of the parent from the discontinued operation	(34,850)
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations (Note 7)	5,060,855

7. Earnings per Share

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holder of the parent, and the weighted average number of ordinary shares of 5,664,713 thousand (2012: 5,060,855 thousand) in issue during the period.

For the period ended 30 June 2013 and 2012, the calculation of diluted earnings per share amount does not take into account the convertible bonds or the management stock option plan of a subsidiary, because they are anti-dilutive. Hence, the diluted earnings per share are the same as the basic earnings per share for the period ended 30 June 2013 and 2012.

Note to the Financial Statements

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

7. Earnings per Share (continued)

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

	For the six months ended 30 June 2013	For the six months ended 30 June 2012
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations		
From continuing operations	25,894	263,706
From discontinued operation	–	(34,850)
	25,894	228,856

	Number of shares	
	For the six months ended 30 June 2013 (Thousand shares)	For the six months ended 30 June 2012 (Thousand shares)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	5,664,713	5,060,855
	5,664,713	5,060,855

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Note to the Financial Statements

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

8. Dividend

On 29 August 2013, the Board resolved not to declare an interim dividend for the six months ended 30 June 2013 (2012: Nil).

9. Derivative Financial Asset

The derivative financial asset as at 31 December 2012 represents a call option to purchase in aggregate up to 40% of the equity interest (the "Interest") in Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset Management"), a subsidiary of the Group, which has been exercised on 28 December 2012 by the Group. The acquisition of the Interest has been completed during the six-month period ended 30 June 2013, upon which, the derivative financial asset is derecognised.

10. Trade Receivables

	30 June 2013 Unaudited	31 December 2012 Audited
Trade receivables	**45,517**	41,738
Less: Provision for impairment	**(10,808)**	(10,617)
	34,709	31,121

An aging analysis of trade receivables is set out below:

	30 June 2013 Unaudited	31 December 2012 Audited
Within 6 months	**22,588**	23,061
6 months – 1 year	**12,364**	1,621
1 – 2 years	**1,560**	7,510
Over 2 years	**9,005**	9,546
	45,517	41,738

Note to the Financial Statements

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

10. Trade Receivables (continued)

The Group's sale of development properties and hotel operations are generally on cash basis, while credit terms are normally offered to its customers for other operations. The credit terms of the Group are generally not longer than 6 months.

The Group's trade receivables relate to a large number of diversified customer and there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

11. Cash and bank balances

	30 June 2013 Unaudited	31 December 2012 Audited
Cash on hand	**2,343**	4,691
Demand and notice deposits	**1,334,941**	1,248,313
Cash and cash equivalents	**1,337,284**	1,253,004
Time deposits with original maturity of more than 3 months	**–**	2,466
Pledged bank deposits (a)	**1,557,931**	762,007
Restricted bank deposits under a development project (b)	**11,703**	9,428
Restricted bank deposits under government supervision (c)	**13**	750
Restricted bank deposits relating to bank borrowings (d)	**6,901**	4,352
Cash and bank balances	**2,913,832**	2,032,007

Note to the Financial Statements

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

11. Cash and bank balances (continued)

(a) As at 30 June 2013, bank deposits of approximately HK$1,558 million (31 December 2012: HK$762 million) were pledged as securities for bank borrowings.

(b) These restricted bank deposits are mainly funds designated for relocating existing residents under a development project. As at 30 June 2013, such funds amounted to approximately HK$12 million (31 December 2012: approximately HK$9 million).

(c) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the relevant properties. As at 30 June 2013, such guarantee deposits amounted to approximately HK$ 13 thousand (31 December 2012: approximately HK$750 thousand).

(d) An amount of RMB5 million (equivalent to HK$7 million) (31 December 2012: RMB4 million, equivalent to HK$4 million) is restricted in connection with bank borrowings.

12. Interest-bearing Bank and Other Borrowings

As at 30 June 2013, the aggregate bank and other borrowings of the Group amounted to approximately HK$13,920 million (31 December 2012: approximately HK$11,075 million), approximately HK$13,764 million (31 December 2012: approximately HK$10,898 million) of which were secured by mortgage of the Group's leasehold land, investment properties, property, plant and equipment and properties held or under development for sale, or by pledge of equity interest in subsidiaries, bank deposits and future property pre-sale proceeds.

As at 30 June 2013, bank deposits of approximately HK$1,558 million (31 December 2012: approximately HK$762 million), leasehold land of approximately HK$9,615 million (31 December 2012: approximately HK$9,642 million), investment properties of approximately HK$4,859 million (31 December 2012: approximately HK$4,345 million), properties held or under development for sale of approximately HK$3,775 million (31 December 2012: approximately HK$3,412million), property, plant and equipment of approximately HK$917 million (31 December 2012: approximately HK$767 million) and equity interests in certain subsidiaries of the Group of approximately HK$4,019 million (31 December 2012: approximately HK$4,436 million) were pledged as collateral for the Group's borrowings and banking facilities.

Note to the Financial Statements

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

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

As at 30 June 2013, no bank borrowings (31 December 2012: approximately HK$100 million) were secured by part of future property pre-sales proceeds. For some of such projects, pre-determined amounts of the pre-sale proceeds of certain units will be transferred to restricted bank accounts, until the balance of such restricted bank accounts reached the outstanding balance of such loans. For other such projects, related bank borrowings are required to be repaid when a pre-determined percentage of properties in the projects are pre-sold.

13. Trade Payables

	30 June 2013 Unaudited	31 December 2012 Audited
Trade payables	**2,026,685**	2,064,672

An aging analysis of trade payables is as follows:

	30 June 2013 Unaudited	31 December 2012 Audited
Within 1 year	**1,980,389**	1,623,171
1 – 2 years	**36,063**	109,111
Over 2 years	**10,233**	332,390
	2,026,685	2,064,672

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

14. Guaranteed Senior Notes

On 24 April 2006, the Company issued guaranteed senior notes maturing on 24 April 2013, with an aggregate principal amount of US$200 million and a fixed interest rate of 8.625% per annum (the "Guaranteed Senior Notes"). Some of the Guaranteed Senior Notes were redeemed in July 2009 and the remaining principal amount of US$71,461 thousand were redeemed on the final maturity date of 24 April 2013.

15. Related Party Transactions

(a) As at 30 June 2013, a bank loan with a principal amount of HK$220 million (31 December 2012: HK$260 million) was secured by pledge of a number of properties including a private property held by Mr. Shi Jian, the Chairman of the Company, and Md. Si Xiao Dong, the spouse of Mr. Shi Jian.

(b) On 30 April 2012, the Group announced the issuance of Rights Shares of HK$0.10 each on the basis of one Rights Share for every seven Shares held by the Qualifying Shareholders on the Record Date at HK$0.30 per Rights Share. The Rights Issue was fully underwritten by SRE Investment Holding Ltd., the controlling shareholder, to whom a commission of HK$100,000 was paid. SRE Investment Holding Ltd. eventually subscribed a total of 538,306,965 Rights Shares.

16. Change in equity interest in a subsidiary

As mentioned in Note 9 above, the Group exercised the call option to purchase the Interest of Huarui Asset Management on 28 December 2012 and on the same day entered into the related acquisition agreement, which stipulated that the consideration was HK$650 million which was to be partly offset by the earnest money of HK$192 million. Pursuant to the agreement, the Group subsequently paid to the vendor all the remaining HK$458 million and the transaction was completed in May 2013. Upon the completion of the transaction, Huarui Asset Management becomes a 100% wholly-owned subsidiary of the Group.

Since the transaction is an acquisition of non-controlling interest in a subsidiary, the difference between the purchase consideration and share of net assets acquired, amounting to approximately HK$347 million, was debited to other reserves.

Note to the Financial Statements

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

17. Notes to the Consolidated Statement of Cash Flows

Reconciliation of profit before tax to cash used in operations:

	For the six months ended 30 June	
	2013	2012
	unaudited	unaudited
Profit/(loss) before tax:		
From continuing operations	**100,807**	517,479
From discontinued operation	–	(48,297)
Adjustments for:		
Depreciation of property, plant and equipment	**25,996**	81,399
Amortisation of prepaid land lease payments	–	2,558
Share of profits of associates	**(895)**	(2,811)
Share of profits of joint ventures	–	(351)
Fair value gain on derivative financial instruments	–	(246)
Fair value gain on completed investment properties	–	(75,700)
Gain on disposal of subsidiaries	–	(226,121)
Management share option expenses	–	1,701
Finance income	**(34,581)**	(14,554)
Finance costs	**154,276**	235,249
	245,603	470,306
Increase in restricted bank deposits	**(1,538)**	(22,589)
Decrease in prepaid land lease payments	**125,499**	342,968
Increase in properties held or under development for sale	**(320,130)**	(755,121)
Increase in inventories	**(7,282)**	(4,384)
Decrease in amount due from associates	–	304
Increase in prepayments and other current assets	**(51,133)**	(18,795)
Increase in other receivables	**(101,800)**	(35,057)
Increase in trade receivables	**(3,309)**	(5,464)
(Decrease)/increase in trade payables	**(73,504)**	494,925
(Decrease)/increase in other payables and accruals	**(434,250)**	103,654
Increase in amount due to a related party	–	36,660
Increase in land development for sale	–	28,385
Decrease in deferred income from sale of golf club membership	–	(9,898)
Increase in deferred income arising from construction of ancillary public facilities	–	10,473
Increase/(decrease) in advances received from the pre-sale of properties under development	**18,593**	(784,782)
Cash used in operations	**(603,251)**	(148,415)

Note to the Financial Statements

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

18. Commitments

	30 June 2013 Unaudited	31 December 2012 Audited
Contracted, but not provided for		
Investment property	**11,035**	5,135
Properties held or under development for sale	**1,446,013**	1,267,637
Property, plant and equipment and leasehold land	**234,244**	195,541
Consideration for potential amount in connection with acquisition of non-controlling interest	**–**	458,000
	1,691,292	1,926,313
Authorised, but not contracted for		
Properties held or under development for sale	**831,779**	965,763
Property, plant and equipment and leasehold land	**78,913**	189,122
	910,692	1,154,885
	2,601,984	3,081,198

19. Fair Value and Fair Value Hierarchy

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 authorised 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 and receivables (31 December 2012: and derivative financial asset). The Group's financial liabilities mainly include interest-bearing bank and other borrowings, convertible bonds and payables (31 December 2012: and Guaranteed Senior Notes).

Note to the Financial Statements

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

19. Fair Value and Fair Value Hierarchy (continued)

Fair value of financial assets and financial liabilities (continued)

As at 30 June 2013, the fair value of the Group's financial instruments are not materially different from their carrying amounts.

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)

Asset measured at fair value:

As at 30 June 2013	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Derivative financial asset	–	–	–	–

As at 31 December 2012	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial asset	–	–	74,608	74,608

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

19. Fair Value and Fair Value Hierarchy (continued)

Fair value hierarchy (continued)

The movements in fair value measurements in Level 3 during the period are as follows:

As at 30 June 2013	**Beginning of period**	**De-recognised**	**Exchange realignment**	**End of period**
Derivative financial asset	74,608	(74,608)	–	–

As at 31 December 2012	Beginning of year	Gains recognised in profit or loss	Exchange realignment	End of year
Derivative financial asset	54,027	20,524	57	74,608

During the six months ended 30 June 2013, the derivative financial asset was derecognised upon the completion of the acquisition of the Interest (see Note 9). Except for the above transfer out of level 3, there were no changes in any of the three levels of the fair value hierarchy during the six months ended 30 June 2013 (31 December 2012: Nil).

Liabilities measured at fair value:

The Group did not have any financial liability measured at fair value as at 30 June 2013 and 31 December 2012.

20. Comparative Amounts

The comparative unaudited statement of comprehensive income has been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (Note 6).

21. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 August 2013.

Management Discussion and Analysis

Financial Review

During the period under review, the Group recorded a net revenue of approximately HK$1,348 million (2012: HK$1,839 million), a decrease of approximately 26.7% compared with that of the corresponding period of last year. The decrease in net revenue was mainly due to the significant decrease in handover of completed properties to buyers in the first half of the year which is expected to increase for the second half of the year. Profit attributable to owners of the parent amounted to approximately HK$26 million (2012: approximately HK$229 million), a decrease of approximately 88.65% compared with that of the corresponding period of last year.

Liquidity and Financial Resources

As at 30 June 2013, cash and bank balances amounted to approximately HK$2,914 million (31 December 2012: approximately HK$2,032 million). Working capital (net current assets) of the Group as at 30 June 2013 amounted to approximately HK$14,500 million (31 December 2012: approximately HK$11,067 million), an increase by approximately 31% as compared with the previous year. Current ratio was at 2.67x (31 December 2012: 2.00x).

As at 30 June 2013, the gearing ratio, being the Group's net borrowings (total borrowings minus cash and bank balance) to total capital (equity plus net borrowings), was 54% (31 December 2012: 50%).

Charges on Assets and Contingent Liabilities

As at 30 June 2013, bank and other borrowings of approximately HK$13,764 million (31 December 2012: approximately HK$10,898 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, or by pledge of equity interest in subsidiaries, bank deposits and future property pre-sale proceeds.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantee agreements, 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 of grant of the relevant mortgage loans and end when the purchasers pledge related property certificates as securities to the banks for the mortgage loans granted by the banks. The Group entered into guarantee contracts of principal amounts totalling RMB218 million (equivalent to HK$274 million) and these contracts were still valid on 30 June 2013 (31 December 2012: RMB452 million, equivalent to HK$557 million).

The Group did not incur any material losses during the period in question 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 a default on payment, the net realisable value of the related property is expected to be sufficient to cover the repayment of the outstanding of the relevant mortgage loan together with any accrued interest and penalty as the mortgage principal was normally below 70% of sales price of the property. Therefore, no provision was made in connection with the guarantees under these financial statements.

Business Review

In 2013, although the launch of "Five Regulations" has signified that the trend of tight control will not be reversed, in the light of the domestic economic downturn, it can be expected that policies towards the real estate industry would remain stable and no new harsh policies be launched during the year. In the first half of the year, capitalizing on the revival of interest in real estate investment, the Group was keen to reduce inventory by actively accelerating the process to clear the stock of the receding projects, adjust the mix of its assets by the conversion of 37,000 m^2 of Skyway Hotel into the SRE Financial Centre (上置金融大厦), speed up the development of the relocation project – Shuocheng Phase III with piling works for the 160,000 m^2 development formally commenced. With the strict enforcement of regulatory measures and the macro environment and market dynamics ever changing, the Group has been taking expedient and opportune measures aiming at a stable and sustainable growth of its business.

Real Estate Development

Sales Progress

In the first half of 2013, the Group's major projects put up for sale included Cedar Villa Original, Central Ring Centre, SRE Financial Centre, Jiaxing Project, Haikou Bund Centre and Shenyang Yosemite Oasis Community. From January to June 2013, contract sales amounted to approximately RMB870.99 million, with a total floor area of 49,754 m^2, which, inter alia, include:

Management Discussion and Analysis

Cedar Villa Original

The Cedar Villa Original rests on Lake Malaren, Luodian Nordic New Town, Baoshan District, Shanghai. It boasts the benefits of its proximity to Lake Malaren and high-end facilities including a golf course, featuring a golden Tuscany style of authentic Italian origin. The Land for Cedar Villa Original was obtained in April 2009, and pre-sale commenced after only twelve months, i.e. in May of 2010, and enjoyed a favorable market response. A total of 88 units with a total area of 12,203 m^2 were sold in the first half of 2013, and the contract sums totaled RMB276.77 million (an average of RMB22,680 per m^2).

Central Ring Centre

As a landmark of the Shanghai Central Ring business district, the Central Ring Centre, with all qualities of Grade 5A office buildings and well equipped with all sorts of facilities, has attracted an increasing number of companies. From January to June 2013, a total of 113 units measuring a total area of 8,930 m^2 were sold for RMB225.38 million (averaging RMB25,151 per m^2).

SRE Financial Centre

SRE Financial Centre is a 37,000 m^2 government approved five-star hotel style (Shanghai Skyway Pullman Hotel Style) office centre composed of approximately 140 units with an area ranging from 210 m^2 to 288 m^2. Located in the center of Huangpu District, SRE Financial Centre is well integrated into the cluster of the financial services industry, and is enjoying geographical advantages of "commanding the riverside view of Huangpu district, the superb ancillary facilities of the district and its high accessibility". Thus this building stands out amongst high-end office properties available for sale and arouses extensive interests. The pre-sale of SRE Financial Centre commenced in December 2012 with only a limited supply of 28 units put on sale. From January to June 2013, a total of 14 units measuring a total area of 3,045 m^2 were sold for RMB136.31 million (averaging RMB44,762 per m^2).

Jiaxing Project

Residing in Nanhu District, Jiaxing City, Zhejiang Province, the Jiaxing Project is another high-end property development project of SRE Group, a residential estate with quality, exquisiteness and sumptuousness. Pre-sale commenced in November 2011 and a total of 26 villas were sold in the first half of 2013, with a total area of 6,284m^2, yielding revenue of RMB74.73 million (an average of RMB11,892 per m^2).

Management Discussion and Analysis

Haikou Bund Centre

In 2010 and in the first half of 2011, Hainan's real estate market experienced vigorous sales triggered by the central government's policy of positioning the province as an "International Tourism Island" before the subsequent cooling off as a result of the strict macro-control measures implemented by both the central and local governments. The Haikou Bund Centre project managed to adjust its strategies proactively and achieved satisfactory results. A total of 15 units of the phase I of the project with a total area of 2,272 m^2 were sold from January to June 2013, yielding an aggregate of RMB38.05million (an average of RMB16,750 per m^2).

Progress of Construction

Adhering to development plans and construction timelines delineated at the beginning of 2013, the Group and its subsidiary companies have been carrying out construction works in an orderly and standardized manner, while making every effort to uphold our principle of maintaining high quality. Major projects under construction:

Cedar Villa Original

Construction of Cedar Villa Original was divided into 2 tenders. Construction under Tender II had been completed and flats were handed over to the buyers accordingly in December 2011, while that of Tender I had also been entirely completed and proved satisfactory.

Wuxi Jiangnan Rich Gate

As at the end of June 2013, 68 villas with floor area of 20,261 m^2 were completed and handed over to buyers. Civil, ancillary and greening works of the project have all been completed. Decoration of the 95 villas sold have been fully completed while that for the unsold villas is about 70% completed.

Central Ring Centre

Construction work of Block 6 of The Central Ring Centre has been formally commenced on 4 March 2011. As of the end of June 2013, interior decoration and overall finishing work of the building have been completed. The construction of the project will be entirely completed and the building will be ready for occupation in July 2013.

Management Discussion and Analysis

Jiaxing Project

As at the end of June 2013, both interior and exterior parts of all villas under Parcel 5 were being touched up and tidied up to prepare for examination upon completion while documents required for completion examination had already been prepared. Air defense facilities had already passed the relevant examination. As for Parcel 1, the plastering of tiles over external walls, floor tiles and stone slabs were over 50% completed and concrete placing works of the main road running from the south to the north and the underground parking garage had been completed.

Shenyang Yosemite Oasis Community

As at the end of June 2013, the construction of the west parcel of Phase I of Shenyang Yosemite Oasis Community had been entirely completed and sold units had already been handed over to buyers. The east parcel of Phase I is divided into 2 tenders, namely Jinling and Shuangxing. As for Jinling, both interior and exterior decorations are still underway and construction work was about 97% completed as at the end of June. It is expected that the houses will be ready for use in September 2013. As for Shuangxing, construction of the main structures has largely been completed and the houses are expected to be handed over to buyers in September 2014.

Progress of Relocation

Albany Oasis Garden

As at the end of June 2013, with 6,214 households relocated, the households relocation of phase I to phase III of Albany Oasis Garden was about 98.1% completed. All economic enterprises had been relocated.

Huangpu Bairun

As of the end of June 2013, Shanghai Huangpu Bairun Project has signed 338 household relocation contracts, 12 sole proprietor relocation contracts and 9 enterprise relocation projects and as a whole, relocation was about 86% completed.

Shenyang Albany

As of the end of June 2013, Shenyang Albany has signed 1,361 household relocation contracts and 13 enterprise school relocation contracts, with 139 households and 12 enterprises schools remaining. The household and enterprise school relocation was about 91% and 52% completed respectively.

Management Discussion and Analysis

Commercial Properties

During the first half of 2013, to cope with changes in market conditions and opportunities arising, we continued to enhance management and operation of our commercial properties, adapt our business strategies for such changes, and leverage on our brand name advantages and management capabilities. As we continued to accumulate knowledge through experience, we were able to gradually improve our operating results. Details include the following:

Shanghai Skyway Pullman Hotel

For the first six months of 2013, the hotel recorded revenue of RMB79.10 million, comprising room revenue of RMB42.49 million and revenue from food and beverages of RMB34.49 million. Gross profit amounted to approximately RMB23.77 million and the occupancy rate was about 63%.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall combines a wide range of functions, such as shopping, fine food, leisure, entertainment, culture, sports & recreation and services. As of June 2013, a total area of 92,559 m^2 were leased, accounting for 82% of the total rentable area, and rental income totaled RMB28.56 million.

Central Ring Centre

During the first half of 2013, Central Ring Centre doubled its efforts in attracting tenants. Currently, commercial area of 30,000 m^2, an office building of 10,000 m^2 and an underground parking garage of 57,000 m^2 are for lease. For the six months ended June 2013, rental income totaled RMB13.86 million, RMB12.00 million of which were lease income while parking fee income totaled RMB1.86 million.

Major Acquisition

In February 2013, Sinopower Investment Limited, a wholly-owned subsidiary of the Company, acquired 100% of the equity interest in Gao Feng Limited, thereby indirectly acquired 40% interest in Shenyang Huarui Shiji Asset Management Co., Ltd.. Upon the completion of the acquisition in May 2013, the Company indirectly holds 100% interest in Shenyang Huarui Shiji Asset Management Co., Ltd..

Management Discussion and Analysis

Business Outlook

In the first half of 2013, the implementation of "Five Regulations" implied that stricter regulatory measures were applied to rein in the real estate market. Speculative demand in the domestic residential market was subdued and the upward trend particularly for prices of high-end residential units came to an end, with prices and sales volume in various cities stabilizing. The central government has made great efforts in enhancing the regulatory mechanism for the control of the real estate industry so as to make it more effective in the long-term. It has made clear its affordable housing policies and has expanded the geographical coverage of the pilot schemes of property taxes. All these measures help manage market expectation and considerably safeguard a steady and healthy development of the real estate market. It has came to light that the new thoughts of the government for controlling the real estate market are: policies will be stable, market forces will be respected and the right for affordable housing shall be further reinforced. Despite the fact that the market within a certain period will be contained by regulatory measures such as purchase restrictions, property developers are still optimistic about the long term prospect of the market.

As the financial aspect is concerned, under the theme of "healthiness and steadiness", monetary policies further contributed to the targets of a "stable growth" and "restructural realignment". This manifested the importance of macro policies and controlling measures toward maintaining a healthy growth of the economy. As for the real estate industry, relaxation on issuance of new shares by listed companies is considered to be a general trend. However, the tightening of control over shadow banks will result in the shrinking of the volume of trust business and, all in all, the volume of funding available for the industry will be contained.

On the sales front, the Group is well aware that given the current market dynamics, "low profit margins in return for high turnover" has become fundamental and the guiding principle. The era of high profit margins is over. The Group is going to realign its objectives and based on the principle of "low profit margins in return for high turnover" resets its targets, boosts its output, enlarges its market share and re-establishes its prestigious brand images.

Management Discussion and Analysis

According to the statistics published by the China National Statistics Bureau, total investments in real estate development in the first half of 2013 amounted to RMB3.6828 trillion, an increase of 20.3% over the same period of last year. Out of this total amount, investment in residential property development accounted for RMB2.5227 trillion, an increase of 20.8% over the same period of last year. The investment environment of the real estate market is getting better, transaction volume of residential properties in urban areas begins to grow again and property prices in key cities generally rise. The trend of the property market recovering extends from 2012 to 2013.

In 2013, the macro control policies mainly aim at preventing roller coaster rides of the economy and ensuring the growth be confined within a reasonable range. At its low end, its basic objective is to stabilize growth and preserve employment. At its high end, its basic objective is to contain inflation. As to the Group, shortening the production cycle and making profit from operation are the only means to overcome the difficulties resulted from the macro regulatory measures. In the second half of the year, given that the State Council is prepared to expedite the redevelopment of shanty towns, promote economic development and improve the living condition of the public, and riding on the support of its six policy measures such as the rehabilitation of 10 million households at various shanty towns in the coming five years, the group will use its best endeavours to speed up the redevelopment of the old town projects including Qinhai and Shuocheng covering a total of 300,000 m^2 in a cautious manner. This will become a new area of growth for our project development and will help ensure that our short, medium and long term goals will be accomplished.

Management Discussion and Analysis

Directors' and Chief Executives' Interests in Equity or Debt Securities

As at 30 June 2013, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be made known to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), to be made known to the Company and Stock Exchange; or (iv) which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

Long position in Shares of the Company

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	13,006,991	2,324 (Note 1)	2,913,536,628 (Note 2)	2,926,545,943	51.66%
Li Yao Min	5,172,324	–	–	5,172,324	0.09%
Yu Hai Sheng	6,236,091	–	–	6,236,091	0.11%
Zhuo Fumin	–	160,000 (Note 3)	–	160,000	0.003%

Notes:

1. These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.

2. These 2,913,536,628 Shares were held by SRE Investment Holding Limited ("SRE Investment"). As Mr. Shi Jian and his spouse, Md. Si Xiao Dong together beneficially own 63% of the issued share capital of SRE Investment, Mr. Shi was deemed to be interested in these 2,913,536,628 Shares.

3. These Shares were held by Md. He Pei Pei, the spouse of Mr. Zhuo Fumin.

Management Discussion and Analysis

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executives of the Company 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 notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code or which were required to be entered in the register required to be kept under Section 352 of the SFO.

Substantial Shareholders' Interests

As at 30 June 2013, 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 and underlying shares of the Company as recorded in the register required to be kept under the Section 336 of Part XV of the SFO:

Long positions in Shares

Name of Shareholder	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of shareholding
Si Xiao Dong	Beneficial owner, spouse and corporate interest	2,926,545,943 (L) (Note 2)	51.66%
SRE Investment	Beneficial owner	2,913,536,628 (L)	51.43%

Notes:

(1) "L" represents long positions in Shares and "S" represents short positions in Shares.

(2) These Shares comprised 2,324 Shares held by Md. Si Xiao Dong, 13,006,991 Shares held by her spouse, Mr. Shi Jian and 2,913,536,628 Shares which SRE Investment was interested in.

Save as disclosed above, none of the Directors nor the chief executives 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 would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

Management Discussion and Analysis

Employees

As at 30 June 2013, the Group retained 2,621 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$84 million. Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employees. The Group also provides other staff benefits including medical insurance and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

Share Option Scheme

During the six months ended 30 June 2013, there was no share option scheme granted.

Purchase, Sale or 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 2013.

Change of Information of Directors

On 1 April 2013, Mr. Li Yao Min resigned as an executive director and an authorized representative of the Company, and consequently Mr. Yu Hai Sheng has been appointed as an authorized representative of the Company. On the same date, Mr. Wang Zi Xiong was appointed as an executive Director and a vice chairman of the Board, and will continue to act as the chief financial officer of the Group. He is entitled to receive a director's fee of HK$2,500,000 per annum.

On 10 June 2013, Mr. Shi Jian resigned as the Chairman of the Board and Chairman of the Nomination Committee but remains as an executive director of the Company. His remuneration was reduced from HK$2,000,000 to HK$1,000,000 per annum. On the same date, Mr. Yu Hai Sheng was appointed as the Chairman of the Board and the Chairman of the Nomination Committee, but ceased to be the chief executive officer. His remuneration has been increased from HK$2,500,000 to HK$3,000,000 per annum. On the same date, Mr. Jiang Xu Dong was appointed as the chief executive officer while remaining as a vice Chairman of the Board but ceased to be the chief operation officer.

On 29 August 2013, Mr. Yu Hai Sheng, originally the Chairman of the Board and Chairman of the Nomination Committee, was re-designated as a co-chairman of the Board. On the same date, Mr. Shi Jian was designated as the Chairman of the Board and the Chairman of the Nomination Committee. His remuneration has been adjusted from HK$1,000,000 to HK$2,000,000 per annum. On the same date, Mr. Li Yao Min was appointed as an executive director and an co-chairman of the Board. He is entitled to receive a director's fee of HK$2,000,000 per annum.

Save as disclosed herein, the Board is not aware of any other matters relating to appointments and re-designations that should be disclosed pursuant to Rules 13.51(2)(a) to (x) of the Listing Rules or any other matters that need to be brought to the attention of the shareholders of the Company and the HKEx.

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 (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 compiled with required standard set out in the Model Code.

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 reporting matters. The Group's unaudited consolidated financial statements for the six months ended 30 June 2013 have been reviewed by the Audit Committee.

Management Discussion and Analysis

Corporate Governance

The Board had reviewed its corporate governance practices and confirmed that the Company throughout the financial period complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules except for E.1.2 which stipulates that the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Shi Jian, the Chairman of the Board and the Chairman of the Nomination Committee, did not attend the annual general meeting for the year 2013 due to other business commitments.

In addition, due to Mr. Li Yao Min's appointment as an executive director on 29 August 2013, the number of independent non–executive directors of the Company fell short of the requirement under Rule 3.10A of the Listing Rules that the independent non–executive directors of the Company shall represent at least one–third of the board. The Board will endeavour to appoint a suitable candidate to fill the vacancy as soon as possible and in any event within three months from 29 August 2013 for the purpose of complying with Rule 3.10A of the Listing Rules. Further announcement(s) regarding such appointment will be made by the Company when appropriate.

Disclosure of Information on the Website of the Stock Exchange

The interim report for 2013 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, China, 29 August 2013

Property Details

Details of projects under development:

Project	Location	Land Use	GFA (sqm)	Expected Date of Completion	Completion Rate of Construction	Holding Proportion of SRE
The Bund Center Haikou	No.18 Taihua Road, Longhua District, Haikou City, Hainan Province, The PRC	Hotel	45,458	2013	85%	79%
		Residential Phase II	213,473	2015	0%	79%
		Commercial Phase II	15,259	2015	0%	79%
Minhang Project	No. 3888, Kunyang Northern Road, Maqiao Town, Minhang District, Shanghai, The PRC	Residential	103,164	yet to be decided	0%	27.70%
Albany Oasis Garden	No. 699, Zhong Xing Road, Zhabei District, Shanghai, The PRC	Residential Phase III	159,500	2015	0%	100%
		Residential Phase IV	45,000	2018	0%	100%
		Commercials	40,000	2018	0%	100%
		Office & Hotel	100,500	2018	0%	100%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road,Putuo District, Shangha, The PRC	Office	41,942	2013	100%	95.79%
Shengyang Albany	South Heping Road, Heping District, Shenyang City, Liaoning Province, The PRC	Residential Phase II	135,024	2015	18%	97.50%
		Commercial Phase II	3,149	2015	18%	97.50%
		Residential Phase III	50,900	2015	0%	97.50%
		Residential Phase IV	16,618	2017	0%	97.50%
		Residential Phase V	160,940	2016	0%	97.50%
		Office/Commercial	465,354	2017	0%	97.50%

Property Details

Project	Location	Land Use	GFA (sqm)	Expected Date of Completion	Completion Rate of Construction	Holding Proportion of SRE
Jiang Nan Rich Gate Wuxi	Within Wuxi Hongshan New Town	Residential	50,544	2013	90%	98.75%
Pudong Project	Yongfa Road, Pudong New District, Shanghai, The PRC	Residential	48,288	yet to be decided	0%	98.75%
Bairun Project	99 Lane 99, Baotun Road, Huangpu District, Shanghai, The PRC	Residential	26,776	2015	0%	50.36%
		Commercials	4,833	2015	0%	50.36%
		Facilities	560	2015	0%	50.36%
Rich Gate I (Qinhai Oasis Garden)	Daxing Road, Huangpu District, Shanghai, The PRC	Residential Phase I	70,693	yet to be decided	0%	100%
		Residential Phase II	30,297	yet to be decided	0%	100%
		Commercial Phase I	41,939	yet to be decided	0%	100%
		Commercial Phase II	10,800	yet to be decided	0%	100%
Shenyang Yosemite Oasis Community	the town of Lee Sang Lane, Dongling District, Shenyang City, Liaoning Province, The PRC	Town House Phase I (Jinling section)	64,774	2013	100%	98.95%
		Town House Phase I (Shuangxing section)	97,612	2014	50%	98.95%
		Residential Phase III	203,960	2015	0%	98.95%
Jiaxing Project	No.1, Linghu Road, Nanhu District, Jiaxing City, Zhejiang Province, The PRC	Residential and Commercial	97,905	2013	90%	98.96%
		Residential and Commercial	65,139	2013	90%	98.96%
		Residential and Commercial	72,377	2014	0%	98.96%
Wuxi Yongqing	Within Wuxi Hongshan New Town	Residential	204,219	2015	0%	98.75%

Property Details

Details of completed investment properties:

Project	Location	Land Use	GFA (sqm)	Group's Equity Interest (%)
Shenyang Rich Gate	No.118, Harbin Road, Shenhe District, Shenyang City, Liaoning Province, The PRC	Commercial	245,252	60%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shangha, The PRC	Retail	32,143	95.79%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shangha, 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%
Shanghai Shuocheng supermarket	No. 350, Zhong Hua Xin Road, Zhabei District, Shanghai, The PRC	Retail	Approx. 24,000	100%

Details of hotels:

Project	Location	Land Use	GFA (sqm)	Group's Equity Interest (%)
Shanghai Skyway Pullman Hotel	No.15 Dapu Road, Luwan District, Shanghai, The PRC	Hotel	64,047	56%

Corporate Information

Board of Directors

Shi Jian *(Chairman)*
Li Yao Min *(Co-chairman)*
Yu Hai Sheng *(Co-chairman)*
Jiang Xu Dong *(Vice-chairman & Chief Executive Officer)*
Wang Zi Xiong *(Vice-chairman & Chief Financial Officer)*
Zhang Hong Fei
Shi Li Zhou
Cheung Wing Yui*
Jin Bing Rong*
Jiang Xie Fu**
Zhuo Fumin**
Yuan Pu**
Chan, Charles Sheung Wai**

* Non-executive Directors
** Independent Non-executive Directors

Authorized Representatives

Shi Jian
Yu Hai Sheng

Company Secretary

Hui Sze Wai, Sylvie

Hong Kong Office

Suite 4006, 40/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Registrar and Transfer Office

Butterfield Corporate Service Ltd
Rose Bank Centre
11 Bermudiana Road
Pembroke, Bermuda

Hong Kong Branch Registrar and Transfer Office

Tricor Tengis Limited
Share Registration
26/F, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

Legal Adviser

Woo, Kwan, Lee & Lo

Auditor

Ernst & Young

Principal Bankers

Hong Kong: The Agricultural Bank of China
CITIC Bank International Limited

PRC: The Agricultural Bank of China
The Industrial and Commercial Bank of China
The Bank of China
Shanghai Pudong Development Bank
China Minsheng Bank

Stock Code

1207

Internet Web Site

www.sre.com.cn

E-mail

general@sregroup.com.hk