SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

2017 ANNUAL RESULTS ANNOUNCEMENT

The board (the "Board") of directors (the "Directors") of SRE Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017
(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**2017**	2016
Continuing operations			
Revenue	*4*	**1,620,473**	3,363,771
Cost of sales	*5*	**(1,236,234)**	(2,766,689)
Gross profit		**384,239**	597,082
Gains from acquisition and disposal of subsidiaries and a joint venture – net	*6*	**1,585,922**	11,903
Other gains/(losses) – net		**26,743**	(127,232)
Selling and marketing expenses	*5*	**(54,811)**	(73,053)
Administrative expenses	*5*	**(679,489)**	(334,505)
Operating profit		**1,262,604**	74,195
Finance income		**57,153**	27,892
Finance costs		**(504,051)**	(414,781)
Finance costs – net		**(446,898)**	(386,889)
Share of results of associates		**74,332**	465,549
Share of results of joint ventures		**(12,049)**	(1,464)
Profit before income tax		**877,989**	151,391
Income tax expense	*7*	**(157,685)**	(287,595)
Profit/(loss) for the year from continuing operations		**720,304**	(136,204)
Discontinued operation			
Gain from disposal of discontinued operation		**–**	495,569
Loss from discontinued operation for the year		**–**	(16,337)
Profit for the year from discontinued operation		**–**	479,232
Profit for the year		**720,304**	343,028

	Notes	2017	2016
Other comprehensive income/(losses), net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Changes in the fair value of available-for-sale investments		**1,523**	–
Exchange differences on translation of foreign operations		**352**	(3,629)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**722,179**	339,399
Profit attributable to:			
Owners of the Company		**690,543**	231,760
Non-controlling interests		**29,761**	111,268
		720,304	343,028
Profit/(loss) attributable to owners of the Company from:			
Continuing operations		**690,543**	(254,660)
Discontinued operation		**–**	486,420
		690,543	231,760
Total comprehensive income attributable to:			
Owners of the Company		**692,418**	228,131
Non-controlling interests		**29,761**	111,268
		722,179	339,399
Total comprehensive income attributable to owners of the Company from:			
Continuing operations		**692,418**	(258,289)
Discontinued operation		**–**	486,420
		692,418	228,131

	Notes	2017	2016
Earnings/(loss) per share from continuing operations and discontinued operation attributable to owners of the Company	*8*		
– Basic			
From continuing operations		**RMB0.03**	RMB(0.01)
From discontinued operation		**–**	RMB0.02
		RMB0.03	RMB0.01
– Diluted			
From continuing operations		**RMB0.03**	RMB(0.01)
From discontinued operation		**–**	RMB0.02
		RMB0.03	RMB0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**31 December 2017**	2016
ASSETS			
Non-current assets			
Property, plant and equipment		**737,265**	762,600
Investment properties		**5,375,199**	5,270,895
Prepaid land lease payments		**204,403**	208,759
Goodwill		**16,271**	16,271
Investments in associates		**1,043,140**	962,655
Investments in joint ventures		**4,018,705**	1,281,119
Deferred tax assets		**242,837**	242,837
Non-current prepayments		**–**	–
Available-for-sale investments		**407,790**	380,806
Loans and receivables	*10*	**579,994**	–
Other non-current assets		**810,800**	71,519
		13,436,404	9,197,461
Current assets			
Prepaid land lease payments		**1,905,849**	2,632,148
Properties held or under development for sale		**2,257,686**	3,197,085
Inventories		**849**	620
Prepayments and other current assets		**322,365**	373,513
Other receivables		**1,716,383**	1,678,141
Trade receivables	*11*	**24,438**	24,863
Prepaid income tax		**96,419**	96,623
Available-for-sale investments		**–**	262,000
Loans and receivables	*10*	**1,172,011**	165,000
Cash and cash equivalents		**1,207,119**	1,509,924
Restricted cash		**245,796**	2,933
		8,948,915	9,942,850
Assets classified as held for sale		**–**	3,570,569
		8,948,915	13,513,419
Total assets		**22,385,319**	22,710,880

	Notes	31 December **2017**	2016
EQUITY AND LIABILITIES			
EQUITY			
Issued share capital and share premium		**6,747,788**	6,747,788
Other reserves		**240,440**	212,830
Retained profits/(accumulated losses)		**391,979**	(286,239)
Equity attributable to owners of the Company		**7,380,207**	6,674,379
Non-controlling interests		**433,761**	377,682
Total equity		**7,813,968**	7,052,061
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**6,151,564**	2,847,984
Deferred tax liabilities		**1,447,258**	1,260,879
		7,598,822	4,108,863
Current liabilities			
Interest-bearing bank and other borrowings		**2,447,238**	3,917,484
Advances received from the pre-sale of properties under development		**1,015,262**	1,141,086
Trade payables	*12*	**703,382**	792,301
Other payables and accruals		**1,893,378**	4,409,776
Current income tax liabilities		**913,269**	1,116,805
		6,972,529	11,337,452
Liabilities directly associated with the assets classified as held for sale		**–**	172,504
		6,972,529	11,549,956
Total liabilities		**14,571,351**	15,658,819
Total equity and liabilities		**22,385,319**	22,710,880

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2017 (Amounts presented in thousands of Renminbi unless otherwise stated)

1. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the consolidated financial statements of SRE Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 but are extracted from those financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, except for investment properties and available-for-sale investments which have been measured at fair value. The consolidated financial statements are presented in thousands of Renminbi ("RMB") unless otherwise stated.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New amendments of HKFRSs adopted by the Group in 2017

The following new amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2017 and are relevant to the Group's operations:

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

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

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

Except for the amendments to HKAS 7 requiring disclosure of changes in liabilities arising from financing activities, the adoption of the above new amendments of HKFRSs did not give rise to any other significant impact on the Group's results of operations and financial position for the year ended 31 December 2017.

3. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The Board has determined the operating segments based on the Group's products and services. The performance of each segment is evaluated based on its operating profit or loss before income tax and the methodology used for its calculation is 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 at the then prevailing market prices.

In April 2016, the Group decided to make a strategic shift in its business focus and disposed all its 56% equity interest in Shanghai Skyway Hotel Co., Ltd. ("Skyway") which owned and operated the major hotel of the Group. Thereafter the Board considered that the remaining hotel operation after the disposal was no longer material to constitute a separate reportable segment and in the future, hotel operation will no longer be a business objective of the Group. The comparatives for 2015 have been restated by separately disclosing Skyway under discontinued operation. The new reportable operating segments since the year ended 31 December 2016 are as follows:

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

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

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

An analysis by operating segment is as follows:

	2017			
	Continuing operations			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	**1,382,707**	**151,644**	**86,122**	**1,620,473**
Intersegment sales	**–**	**–**	**31,780**	**31,780**
	1,382,707	**151,644**	**117,902**	**1,652,253**
Reconciliation:				
Elimination of intersegment sales				**(31,780)**
Revenue				**1,620,473**
Segment profit	**188,911**	**169,424**	**904,269**	**1,262,604**
Finance income				**57,153**
Finance costs				**(504,051)**
Finance costs – net				**(446,898)**
Share of results of associates				**74,332**
Share of results of joint ventures				**(12,049)**
Profit before income tax				**877,989**

	2017			
	Continuing operations			
	Property development	Property leasing	Other operations	Total
Segment assets and liabilities				
Segment assets	**6,902,527**	**5,007,228**	**5,413,719**	**17,323,474**
Investments in associates				**1,043,140**
Investments in joint ventures				**4,018,705**
Total assets				**22,385,319**
Segment liabilities	**6,315,608**	**2,281,759**	**5,973,984**	**14,571,351**
Total liabilities	**6,315,608**	**2,281,759**	**5,973,984**	**14,571,351**
Other segment information:				
Depreciation and amortisation	**1,689**	**70**	**29,851**	**31,610**
Capital expenditure*	**132**	**987**	**2,753**	**3,872**
Net fair value gain on investment properties	**–**	**(55,165)**	**–**	**(55,165)**
Impairment of investments in joint ventures	**–**	**–**	**27,882**	**27,882**
Write-down of properties held or under development for sale	**1,663**	**–**	**–**	**1,663**
Reversal of impairment of prepaid land lease payments	**(156,850)**	**–**	**–**	**(156,850)**
Provision for impairment of trade receivables	**1,038**	**–**	**359**	**1,397**
Provision for impairment of loans and receivables	**120,006**	**–**	**–**	**120,006**
Provision for impairment of other receivables	**175,912**	**–**	**–**	**175,912**

* Capital expenditure consists of additions of property, plant and equipment (RMB2,973 thousand) and adjustment of investment properties (RMB899 thousand).

	2016					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Segment revenue						
Sales to external customers	3,001,624	80,847	281,300	3,363,771	38,760	3,402,531
Intersegment sales	–	–	32,116	32,116	–	32,116
	3,001,624	80,847	313,416	3,395,887	38,760	3,434,647
Reconciliation:						
Elimination of intersegment sales				(32,116)	–	(32,116)
Revenue				3,363,771	38,760	3,402,531
Segment (loss)/profit	(46,608)	33,606	87,197	74,195	550,246	624,441
Finance income				27,892	–	
Finance costs				(414,781)	(17,904)	
Finance costs – net				(386,889)	(17,904)	
Share of results of associates				465,549	–	
Share of results of joint ventures				(1,464)	–	
Profit before income tax				151,391	532,342	
Segment assets and liabilities						
Segment assets	11,133,274	5,498,330	3,835,502	20,467,106	–	20,467,106
Investments in associates						962,655
Investments in joint ventures						1,281,119
Total assets						22,710,880
Segment liabilities	3,771,484	4,184,257	7,703,078	15,658,819	–	15,658,819
Total liabilities	3,771,484	4,184,257	7,703,078	15,658,819	–	15,658,819

	2016					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Other segment information:						
Depreciation and amortisation	2,000	106	1,618	3,724	8,769	
Capital expenditure*	56	1,635	730	2,421	–	
Net fair value loss on investment properties	–	17,361	–	17,361	–	
Impairment of goodwill	98,354	–	–	98,354	–	
Reversal of impairment of properties held or under development for sale	(188,284)	–	–	(188,284)	–	
Reversal of impairment of prepaid land lease payments	(67,454)	–	–	(67,454)	–	
Provision for impairment of trade receivables	–	–	18,803	18,803	–	
Provision for impairment of loans and receivables	26,200	–	–	26,200	–	
Provision for impairment of other receivables	506	–	42,843	43,349	–	

* Capital expenditure consists of additions of property, plant and equipment (RMB869 thousand) and adjustment of investment properties (RMB1,552 thousand).

Geographical information

(a) For the year ended 31 December 2017, 96.0% (2016: 99.5%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2017, more than 92% (2016: more than 88%) of the Group's non-current assets (based on the locations of the assets and excludes financial instruments and deferred tax assets) were located in Mainland China.

Information about major customers

The Group's customers from whom the revenue is derived are widely dispersed. No customer or a single group of customers which are known to be under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2017 and 2016.

4. REVENUE

An analysis of revenue is as follows:

	2017	2016
Revenue from sale of properties	**1,394,541**	3,253,664
Revenue from property leasing	**153,370**	77,220
Revenue from property management	**14,888**	97,390
Revenue from construction of infrastructure for an intelligent network	**8,890**	27,947
Other revenue	**62,949**	29,281
	1,634,638	3,485,502
Less: Tax and surcharges (a)	**(14,165)**	(121,731)
Total revenue	**1,620,473**	3,363,771

(a) Tax and surcharges

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

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

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

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

5. EXPENSES BY NATURE

An analysis of expenses by nature is as follows:

	2017	2016
Cost of inventories sold (excluding depreciation, (reversal of impairment)/ write-down of properties held or under development for sale and prepaid land lease payments)	**1,351,410**	3,022,122
Depreciation of items of property, plant and equipment	**27,254**	3,687
Employee benefit expense (including directors' and chief executive officer's emoluments, excluding those capitalized in property under development):		
– Wages and salaries	**193,485**	88,847
– Other social welfare	**19,084**	16,143
– Share-based payment	**13,442**	43,353
	226,011	148,343
Write-down/(reversal of impairment) of properties held or under development for sale	**1,663**	(188,284)
Reversal of impairment of prepaid land lease payments	**(156,850)**	(67,454)
Professional service fees	**80,852**	34,146
Agent and sale commission for sale of properties	**29,262**	32,486
Operating lease payments in respect of buildings	**7,228**	4,515
Auditors' remuneration (*)		
– Annual audit services	**4,900**	4,500
– Non-audit services	**250**	–
Advertising costs	**7,889**	19,650
Miscellaneous tax	**28,163**	23,561
Transportation fee	**11,475**	7,452
Office expenses	**10,819**	10,895
Water and electricity costs	**5,115**	4,475
Provision for impairment of other receivables	**175,912**	43,349
Provision for impairment of trade receivables	**1,397**	18,803
Provision for impairment of loans and receivables	**120,006**	26,200
Others	**37,778**	25,801
	1,970,534	3,174,247

* Auditors' remuneration for 2017 included non-audit service fees of RMB250 thousand in respect of services for circulars issued in 2017.

6. GAINS FROM ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND A JOINT VENTURE – NET

	2017	2016
Gains from acquisition and disposal of subsidiaries – net (a)	**1,569,073**	11,903
Gain from disposal of a joint venture	**16,849**	–
	1,585,922	11,903

(a) In April 2017, the Group disposed 49% of its equity interest in Shanghai Jinxin Real Estate Co., Ltd. ("Jinxin Real Estate") to Shanghai Zhongchong Binjiang Industry Co., Ltd. and lost control in the originally wholly-owned subsidiary. Jinxin Real Estate became a joint venture of the Group after the transaction. On the disposal date, the net asset value of Jinxin Real Estate amounted to approximately RMB3,082 million, and the fair value of 51% equity interest of Jinxin Real Estate determined based on the fair value of the net asset of Jinxin Real Estate amounted to approximately RMB2,112 million. After the disposal of 49% equity interest in Jinxi Real Estate, the 51% remained interest held by the Group was remeasured to its fair value of approximately RMB2,112 million at the date when control was lost, and the difference with its then carrying amount of approximately RMB540 million was recognised as part of disposal gain. The consideration in relation to the 49% equity interest in of Jinxin Real Estate was approximately RMB2,112 million. As such, the Group recorded a gain on disposal of approximately RMB1,142 million.

In July 2017, the Group disposed all of its 100% equity interest held by Wuxi Zhongqing Real Estate Co., Ltd. ("Wuxi Zhongqing") in Wuxi Yongqing Real Estate Co., Ltd. ("Wuxi Yongqing") at a consideration of approximately RMB67 million. On the disposal date, the net asset value attributable to the Group of Wuxi Zhongqing was approximately RMB17 million. The Group recorded a gain on disposal of approximately RMB50 million.

In August 2017, the Group disposed 50% of its 70% equity interest in Shanghai Real Estate Asset Management Co. Ltd ("SRE Asset") at a consideration of RMB –. SRE Asset became an associate of the Group after the transaction. On the disposal date, the net asset value attributable to the Group of SRE Asset was approximately RMB5 million. The Group recorded a gain on disposal of approximately RMB2 million.

In September 2017, the Group disposed all of its 100% equity interest held by Shanghai Wingo Infrastructure Co., Ltd in Shanghai Shanghui Construction Co., Ltd. ("Shanghui Construction") at a consideration of approximately RMB5.8 million. On the disposal date, the net asset value attributable to the Group of Shanghui Construction was approximately RMB-73 million. The Group recorded a gain on disposal of approximately RMB79 million.

In December 2017, the Group disposed all of its 100% equity interest held by Shanghai Oasis Garden Real Estate Co., Ltd. and Lihon Investment Limited in Shenyang Lukang Real Estate Ltd. ("Shenyang Lukang") at a consideration of RMB2. On the disposal date, the net asset value attributable to the Group of Shenyang Lukang was approximately RMB-296 million. The Group recorded a gain on disposal of approximately RMB296 million. As of 31 December 2017, the Group has not collected approximately RMB700 million loans and approximately RMB176 million receivables from Shenyang Lukang. The Group estimated that it would be able to collect the loan of approximately RMB580 million considering the assets held by Shenyang Lukang. As there is uncertainty in the collection of the portion of loans of approximately RMB120 million and the receivables of approximately RMB176 million, a loss of approximately RMB296 million was recognised.

7. INCOME TAX EXPENSE/(CREDIT)

An analysis of income tax is as follows:

	2017	2016
Current taxation		
– Mainland China income tax (a)	**48,981**	117,500
– Mainland China LAT (c)	**(77,135)**	130,472
	(28,154)	247,972
Deferred taxation		
– Mainland China income tax	**184,708**	44,849
– Mainland China LAT	**(2,306)**	(3,047)
– Mainland China withholding tax (d)	**3,437**	(2,179)
	185,839	39,623
Total tax charge for the year	**157,685**	287,595

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25% in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. The outstanding balance recorded in "prepaid income tax" was approximately RMB50 million as at 31 December 2017 (2016: approximately RMB33 million). Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2035. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdictions 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 year (2016: Nil).

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

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

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 2% to 5% (2016: 2% to 5%) on proceeds from the sale and pre-sale of properties. Prepaid LAT has been recorded in "prepaid income tax" with an amount of approximately RMB46 million as at 31 December 2017 (2016: approximately RMB63 million). Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition. The credit to the statement of profit or loss and other comprehensive income in 2017 was due to the reversal of provision upon the final assessment of LAT for certain projects.

(d) Mainland China withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China and on gain from disposal of equity interests to non-tax resident enterprises. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from retained profits as at 31 December 2007 are exempted from withholding tax.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

Basic earnings per share is calculated by dividing the profit/(loss) attributable to owners of the company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit/(loss) from continuing operations attributable to owners of the Company	**690,543**	(254,660)
Profit from discontinued operation attributable to owners of the Company	**–**	486,420
	690,543	231,760
Weighted average number of ordinary shares in issue (thousands)	**20,564,713**	20,564,713

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The share options issued in 2016 constitute dilutive shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market shares price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2017 and 2016, as the average annual market share price of the Company's shares was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, the impact of exercise of the share options on earnings/(loss) per share is anti-dilutive.

9. DIVIDENDS PAID AND PROPOSED

The Board of Directors has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2017 (2016: nil).

10. LOANS AND RECEIVABLES

	2017	2016
Loans and receivables (a)	**1,892,011**	191,200
Less: Non-current portion		
Loans to a disposed subsidiary	**700,000**	–
Current portion	**1,192,011**	191,200
Less: Provision for impairment (b)	**(140,006)**	(26,200)
Loans and receivables, net	**1,752,005**	165,000

(a) The balance as at 31 December 2017 mainly represented the interest-bearing loans granted to a related party of approximately RMB1,172 million, to a subsidiary disposed of approximately RMB700 million with a provision of approximately RMB120 million, and to certain third parties. The balance as at 31 December 2016 mainly represented the interest-bearing loans granted to certain third parties, with approximately RMB165 million received as at December 2017.

(b) The provision was made as at December 2017 as the directors of the Group consider the recoverability of the receivables is uncertain.

11. TRADE RECEIVABLES

	2017	2016
Trade receivables	**52,281**	51,668
Less: Provision for impairment	**(27,843)**	(26,805)
	24,438	24,863

An aged analysis of trade receivables as at the end of the reporting period, from the date when they were recognised, is as follows:

	2017	2016
Within 6 months	**18,056**	18,697
6 months to 1 year	**6,382**	4,388
1 to 2 years	**–**	20,113
Over 2 years	**27,843**	8,470
	52,281	51,668

The Group's sales of development properties and hotel operations are generally on a cash basis while the Group's trading terms with its customers for other operations are mainly on credit. The credit terms of the Group are generally within six months.

The Group's trade receivables are related to a large number of diversified customers. There is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables neither past due nor impaired and those past due but not impaired is as follows:

	2017	2016
Neither past due nor impaired	**17,809**	17,897
Past due but not impaired:		
Within 30 days	**247**	–
31 to 60 days	**–**	2,391
61 to 90 days	**–**	–
91 to 120 days	**–**	–
Over 121 days	**6,382**	4,575
	6,629	6,966
	24,438	24,863

Receivables that were past due but not impaired are related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in the provision for impairment of trade receivables are as follows:

	2017	2016
At beginning of year	**26,805**	8,002
Additions	**1,397**	18,803
Disposal of subsidiaries	**(359)**	–
At end of year	**27,843**	26,805

No provision for impairment of trade receivables was reversed during the year ended 31 December 2017 and 2016.

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, from the date when they were incurred, is as follows:

	2017	2016
Within 1 year	**467,638**	391,277
1 to 2 years	**48,693**	107,741
Over 2 years	**187,051**	293,283
At end of year	**703,382**	792,301

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

BUSINESS REVIEW

In 2017, with the revived growth of the economy and under the insistency of guidance by the policies of "housing is for accommodation", policies were implemented based on each individual city in the regions, and measures for controlling housing prices and preventing bubbles together with de-stocking were in place. Policies for hotspot cities were frequently increased. Together with the linking and adjustment of the surrounding third and fourth-tier cities, there was a continuous upgrade of the traditional policies of purchase restrictions and lending restrictions. Accordingly, although the investment amount of real estate development had an unexpected growth, there was a slowdown in the growth of the sales volume. The Group strengthened its sales efforts for its projects under construction and made efforts to improve operation for self-owned properties including Malaren Hospital and Oasis Central Ring Centre. The Group timely optimized its development strategy by making an early move to capitalize some income of its assets when they were sold at a high price to secure its income and cash flow. At the same time, the Group continuously improved its project development and project management capability and succeeded to exit from the investment in Australia project with gains, successfully implementing the financial real estate model.

In 2017, the Group's major projects available for sale were Shanghai Albany Oasis Garden, Shanghai Huating Project, Chengdu Albany Oasis Garden, Shenyang Albany Oasis Garden, Jiaxing Project and the Atelier. In 2017, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB2.762 billion, with a total gross floor area of approximately 125,984 m^2.

Project	**Monetary Amount of Sales Contracts Signed** *(RMB'000)*	**Contractual Gross Area** *(m^2)*
Shanghai Albany Oasis Garden	1,242,700	11,262
Chengdu Albany Oasis Garden	581,389	75,305
The Atelier	318,064	1,723
Jiaxing Project	168,597	17,621
Shanghai Huating Project	141,558	1,234
Shenyang Albany Oasis Garden	122,916	9,388
Shanghai Lake Malaren Silicon Valley	62,999	1,575
Other projects	123,883	7,876
Total	2,762,106	125,984

In 2017, the Group recorded a net turnover of approximately RMB1.620 billion (2016: RMB3.364 billion). Gross profit for 2017 amounted to approximately RMB384 million (2016: RMB597 million). In 2017, the Group has reduced its reliance on the traditional operation model of real estate development, while expanding its investment businesses and accelerating the exit from investments to realize gains, which resulted in a decrease in net turnover and gross profit from traditional operation model mentioned above and a significant increase in investment gains in 2017 as compared with that of 2016.

Net revenue breakdown:

Revenue	**2017** *(RMB'000)*	2016 *(RMB'000)*
Revenue from sale of properties	**1,394,541**	3,253,664
Revenue from property leasing	**153,370**	77,220
Revenue from property management	**14,888**	97,390
Revenue from construction of infrastructure for an intelligent network	**8,890**	27,947
Other revenue	**62,949**	29,281
Less: Tax and surcharges	**(14,165)**	(121,731)
Total revenue	**1,620,473**	3,363,771

DEVELOPMENT PROJECTS

Our development projects mainly included Shanghai Rich Gate I, Shenyang Albany Oasis Garden, Chengdu Albany Oasis Garden, Changsha Fudi Albany Project, Dalian Project and the Atelier.

Progress of Relocation

Shanghai Rich Gate I (Qinhai Oasis Garden)

As at the end of December 2016, 1,008 certificates of households (including certificates of sole proprietors) and a total of 39 certificates of enterprises covering an area of 15,616 m^2 were to be relocated for Shanghai Rich Gate I. The second round of consultation commenced in 2017, under which house choosing were arranged for households from 18 March 2017 to 30 March 2017, and the kick-off meeting for determination of expropriation and compensation was held on 27 October 2017. As at the end of December 2017, contracts were signed for 873 certificates of households (including certificates of sole proprietors) in aggregate, representing a signing rate of 86.61%; 599 certificates of households (including certificates of sole proprietors) were relocated, representing a relocating rate of 59.42%; contracts were re-signed for 537 certificates of households (including certificates of sole proprietors) in aggregate, representing a re-signing rate of 53.27%; contracts were signed for 30 certificates of enterprises, representing a signing rate of 76.92%; and 14 certificates of enterprises were relocated and settled, accounting for 35.90% of the total of 39 certificates.

Shenyang Albany Oasis Garden

As at the end of December 2017, Shenyang Albany Oasis Garden had signed relocation contracts with 1,400 households and 24 enterprises (including schools), with negotiations for 54 households and 1 enterprise still in progress. The relocation was about 96% completed for households and 96% completed for enterprises and schools respectively.

Changsha Fudi Albany Project

As of 31 December 2017, there were 99 legal households in the land area of Changsha Fudi Albany Project, out of which 89 were signed in aggregate, representing a signing rate of 89.89%.

Progress of Construction

Chengdu Albany Oasis Garden

As at the end of December 2017, for Phase II of Chengdu Albany Oasis Garden, the topping out of the main structures of Blocks No. 5 and 6 were completed; the construction of the main structure of Block 4 was constructed to 23rd floor; the construction of the main structures of Block 3 was constructed to 21st floor; over 50% of the construction of masonry structure was completed; and the construction of ancillary vegetable market was completed.

Shenyang Albany Oasis Garden

The total gross floor area of Phase II of Shenyang Albany Garden is 264,246 m^2, and it is divided into Section A and Section B. As at end of December 2017, the work of Section A and Section B of Phase II were completed and delivered to the property owners.

Land Bank

As at 31 December 2017, the Group owned a land bank with a total gross floor area of approximately 2.1 million m^2 in Shanghai, Shenyang, Chengdu, Changsha, Dalian, London, San Francisco, etc. The Company stays abreast of industry development dynamics, explores its own resources and advantage and is committed to discovering assets which are underestimated or with growth potential.

COMMERCIAL PROPERTY OPERATION

During 2017, the Group continued to enhance the management and operation of its commercial properties to cope with the changing market conditions and opportunities, expeditiously adjusted the operation strategies, utilized its brand advantages and management capabilities, and strived to improve operation efficency with the benefits of the experiences earned.

Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, the Oasis Central Ring Centre, with its high quality Grade 5A office buildings well equipped with all sorts of ancillary facilities, has attracted an increasing number of enterprises to move in.

During 2017, Oasis Central Ring Centre had made tremendous efforts in attracting tenants. Currently, commercial and office spaces of around 38,000 m^2, and an underground parking garage of around 57,000 m^2 are for lease. As at 31 December 2017, the occupancy rate of Oasis Central Ring Centre reached 98% with a total rental income of RMB47.13 million.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall is committed to building into a one-stop integrated center with business, leisure and life elements, accommodating for shopping, leisure & entertainment, culture & education, business networking and food & beverage needs and requirements. As at 31 December 2017, a total contractd area of 71,881 m^2 were leased, accounting for 68% of the total rentable area, with rental income of RMB11.69 million and operating revenue totaled RMB32.21 million.

41 Tower Hill Project in UK

The project is located at the east side of the City of London. It is a freehold property with a site area of approximately 7,000 m^2, and comprises an existing office building and an adjoining car park. Currently, the office building has a floor area of 15,509 m^2 (166,940 square feet); gross floor area of 21,189 m^2 (228,075 square feet). The office building is leased to Société Générale for a term of about 3 years expiring in March 2020. It may be re-planned to increase renting area during the term, or be renovated and upgraded after the tenant moving out.

12 Moorgate Project in UK

The project is located in the core district of the City of London (E C2), which is a global financial and insurance center. It is a freehold property completed in 1998 with 6 floors and one basement. The property has a rentable area of 3,151 m^2 (33,941 square feet) for office use. Its existing tenant is Schroders PLC, a renowned global wealth management company, with a lease term expiring in June 2023.

DEVELOPMENT OF INVESTMENT PROJECTS

Shanty Town Renovation Project in Zhangjiakou

Zhangjiakou Shanty Town Renovation Project, located in Qiaoxi District, Zhangjiakou, Hebei Province, covers an area of approximately 143,333 m^2 and involves a relocation area of 86,000 m^2 and residents of 930 households. The contract for the project was entered into in December 2017 with a total investment amount of approximately RMB1,118 million.

Schofield Project in Sydney

The Schofield Project is a primary land development project covering an area of 2.08 hectares, in which the Company is 70% interested. The Company has entered into a contract in relation to the project in August 2017.

75 Howard Project in San Francisco

75 Howard Project is located at the urban core area of San Francisco of the US and is a high-end residential project with retail commercial facilities of approximately 500 m^2 and a frontline seaview. The Company has entered into a contract in relation to the project in February 2017. The project covers an area of 1,913 m^2 and is planned to consist of 20 storeys above the ground and 2 underground levels.

Napa County Project in San Francisco

Napa County Project is located at the southern part of Napa County of the US which is planned to be developed into a medium-end hotel. The Company has entered into a contract in relation to the project in April 2017. The project covers an area of approximately 286,666 m^2.

EXIT FROM INVESTMENT AFTER MAKING A PROFIT

St Leonards Project in Sydney

In 2017, the Company has successfully exited from investment in St Leonards Project which is the first overseas investment project of the Group after reorganisation with an investment cycle of 428 days. The project generated an after-tax annualized net rate of return on investment of 17.72% and the financial real estate model was implemented throughout the project.

Yunnan Mingzhen Hospital Project

The Company entered into a contract in relation to Yunnan Mingzhen Hospital Project in March 2016 and successfully exited from investment in the project in 2017, giving rise to a capital return of RMB62.40 million and a rate of return on investment of approximately 14.4%.

MAJOR TRANSACTIONS

1. On 17 February 2017, SREUS SF LLC (a wholly-owned subsidiary of the Company), as the buyer, and RDF 75 Howard LP, as the seller, entered into a sale and purchase agreement, in relation to acquisition of the 80% beneficial ownership interest in the land and building located at 75 Howard Street in San Francisco, State of California, the United States of America, together with the entitlements to develop a mixed-use residential, retail and parking project thereat as approved by the San Francisco Planning Commission at a total consideration of USD88,000,000. Further details are set out in the announcement of the Company dated 20 February 2017.

2. Zhongtong Wanfang Construction and Development (Zhangjiakou) Co., Ltd. (an indirect non-wholly owned subsidiary of the Company), as the trustee, and the People's Government of Qiaoxi District, Zhangjiakou City, Hebei Province, the PRC, as the client, entered into an entrustment agreement on 4 December 2017 in relation to the trustee's implementation of the land redevelopment procedures for the land parcel with a site area of approximately 143,333 m^2 in Beiwapenyao, Qiaoxi District, Zhangjiakou City, Hebei Province, the PRC with capital commitment of RMB270 million. Further details are set out in the announcement of the Company dated 4 December 2017.

THE GROUP'S AWARDS

1. The Oasis Central Ring Centre in Shanghai won the first prize of Contribution to Regional Development of Putuo District in 2017 and Blocks 3 and 10 won the title of "2017 Building Contributing Tax of RMB100 Million in Putuo District".

2. Block B9 of Phase II of Shenyang Albany Oasis Garden was named a Project of Quality Structure in Liaoning Province, and Block B7, the basement construction, Block 3 of Phase II and works for Carrefour were named Projects of Quality Structure in Shenyang City.

3. The Shanghai Albany Oasis Garden was awarded the Golden Prize of the ninth "Residential Property of Excellence in Shanghai".

4. The Masters Course of the Shanghai Lake Malaren Golf Club ranked the ninth in the selection of "China Top 100 Golf Courses" by "GolfDigest" in China and the North Forest Course ranked the seventh in the selection of "China Top Ten New Golf Courses" by "GolfDigest" in China.

5. The Shanghai Lake Malaren Convention Centre was rated as the "2017 Best City Convention Hotel".

6. The Shanghai Lake Malaren Golf Resort Hotel won the "2017 Best Resort Landscape Hotel" and was rated as an "Advanced Unit" by the Tourism Development Association of Baoshan District.

BUSINESS OUTLOOK

In 2017, policies on the property market kept abreast of the general principle of "houses are built to be inhabited, not for speculation". Moreover, local governments regarded urban agglomeration as the key targets for market regulation, switching its strategies from traditional demand-side adjustments to supply-side increases. Purchase limits, mortgage restrictions, sale limits and restrictions on land auctions resulted in the optimisation of supply-side structure, which gradually demonstrated the effectiveness of regulatory policies. In addition, vigorous efforts were exerted to facilitate the development of residential leasing market and joint ownership housing provisional scheme in an attempt to control housing price level, while improving the multi-level housing supply system, establishing a real estate system of housing purchase and renting as well as urging the establishment and perfection of a long-term mechanism. It was proposed at the meeting of Political Bureau of the Central Committee of the CPC to speed up the reform of housing system and construction of a long-term mechanism. In 2018, the implementation of the long-term mechanism will be further quickened. In the meantime, the short-term regulation will be more aligned with the long-term mechanism. While maintaining the stable real estate market, the multi-level housing supply system will be improved, which will also generate a more profound influence on the future real estate market, promote the change of concept on housing and reinforce the residential property of housing, laying a more solid foundation for the real estate market.

In 2017, with the increasing concentration of the real estate industry, new changes occurred in the enterprise development pattern. Facing opportunities and challenges in the market, on the one hand, the Group will vigorously tap the operation value of stock assets and satisfy residents' upgraded demands relying on product innovation to enhance the added value of development service. The sustained and steady development of enterprises was maintained by virtue of reform and innovation in terms of business model and service mode; on the other hand, the Group will capitalize on the incremental market space and get aware of the development progress and law of key and potential cities to conduct investment and acquisition of real estate in due course to improve the Group's overall asset size and profitability. At the same time, proactive efforts will be made on the financial city model, industrial town model, timesharing and other new businesses.

Overall, in 2017, the domestic financing environment gradually tightened and the total financing amount of real estate enterprises declined sharply as compared to last year, against the overall rise of financing costs. From the perspective of enterprises, large real estate enterprises have prominent advantages and relatively strong financing capacity, while the pressure over the existence of medium and small enterprises increases gradually, in particular those with a weak financing capacity and a large amount of debts. Looking into 2018, based on the current policy environment, the financing environment will maintain tight in a short term and the proportion of overseas financing size will further increase. Therefore, the Group will explore new ideas in respect of financing to further expand the source of funds. On the one hand, the existing asset value will be revitalized and assets will be converted into cash flow through asset securitization, REITs, CMBS and other means to provide financial support for the Group's development. On the other hand, the Group will explore financing by way of overseas issuance of bonds, establishment of real estate foundations, etc.

FINANCIAL REVIEW

Revenue and profit attributable to shareholders

In 2017, the Group recorded net revenue of approximately RMB1,620 million (2016: RMB3,364 million), which represents a decrease by approximately 52% compared with that of 2016. Profit attributable to shareholders of the parent company in 2017 was approximately RMB691 million while profit attributable to shareholders of the parent company in 2016 was approximately RMB232 million. The increase was mainly attributable to gains from disposal of the Group's certain investments at a premium (including the disposal of certain investments as mentioned in the interim positive profit alert dated 14 August 2017) during the steady progress towards the Group's financial real estate strategy. In 2017, the Group has reduced its reliance on the traditional business model of real estate development, while expanding its investment businesses and accelerating the exit from investments to realize gains, which resulted in a decrease in gross profit from traditional business model mentioned above and a significant increase in gains from disposal of investments as compared with that of 2016.

Dividend

The Board has resolved not to recommend the payment of a final dividend in respect of the year ended 31 December 2017 (2016: Nil).

Financial Resources and Liquidity

As at 31 December 2017, cash and bank balances amounted to approximately RMB1,453 million (2016: RMB1,513 million). Working capital (net current assets) of the Group as at 31 December 2017 amounted to approximately RMB1,976 million (2016: RMB1,963 million), representing an increase of 1% as compared with the preceding year, and the current ratio was approximately 1.28x (2016: 1.17x).

As at 31 December 2017, the Group's total liabilities to total equity decreased to 1.86x (2016: 2.22x). As at 31 December 2017, the Group's gearing ratio was approximately 48% (2016: 43%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance of approximately RMB1,453 million) over total capital (total equity and net borrowings), and excludes assets classified as held for sale and liabilities directly associated with assets classified as held for sale.

EMPLOYEES

As at 31 December 2017, the Group had 517 (2016: 625) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding Directors' remuneration, for the year 2017 amounted to approximately RMB211 million (2016: RMB145 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

Charges on Assets and Contingent Liabilities

As at 31 December 2017, total bank and other borrowings of approximately RMB3,740 million (2016: RMB1,928 million) were secured by pledge of the Group's assets including leasehold land, investment properties, property, plant and equipment, properties held or under development for sale, or by pledge of equity interests in certain subsidiaries or bank deposits.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB844 million and these contracts were still effective as at the close of business on 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2017, and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviations:

Code Provision A.2.7

Code provision of A.2.7 requires the Chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As the Chairman of the Board is also an executive Director, the Company has deviated from this code provision as it is not applicable.

Code Provision A.6.7

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2017.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company is published on the websites of the Company (http://www.equitynet.com.hk/sre) and Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk). The annual report of the Company for 2017 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
SRE Group Limited
Peng Xinkuang
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. Peng Xinkuang, Mr. Liu Feng, Mr. Chen Donghui, Mr. Chen Chao, Mr. Shi Janson Bing, Mr. Zhu Qiang and Ms. Qin Wenying; and four independent non-executive Directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Ma Lishan and Mr. Han Gensheng.

* *For identification purpose only*