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SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of SRE Group Limited (the "Company") and its subsidiaries (collectively the "Group") has not been completed. In the meantime, the board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2019 (Unaudited)	2018 (Audited)
Revenue	3	**651,335**	1,551,309
Cost of sales	4	**(464,490)**	(1,077,340)
Gross profit		**186,845**	473,969
Gains from disposal of subsidiaries and interests in a joint venture – net		**157,336**	242,900
Net impairment losses on financial assets	4	**(1,066,013)**	(11,476)
Other (losses)/gains – net	5	**(1,099,169)**	176,113
Selling and marketing expenses	4	**(35,270)**	(45,085)
Administrative expenses	4	**(215,557)**	(241,587)
Operating (loss)/profit		**(2,071,828)**	594,834
Finance income		**130,127**	70,350
Finance costs		**(395,678)**	(547,406)
Finance costs – net		**(265,551)**	(477,056)
Share of results of associates		**106,722**	72,033
Share of results of joint ventures		**(5,233)**	17,672
(Loss)/profit before income tax		**(2,235,890)**	207,483
Income tax expense	6	**(45,252)**	(108,637)
(Loss)/profit for the year		**(2,281,142)**	98,846

	Notes	2019 (Unaudited)	2018 (Audited)
Other comprehensive (losses)/income, net of tax			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(8,403)**	(4,248)
Item recycled to profit or loss:			
Exchange differences previously recognised through other comprehensive income recycled to profit or loss and included in losses from disposal subsidiaries		**1,917**	–
Fair value gains previously recognised through other comprehensive income recycled to profit or loss and included in other gains upon disposal of financial assets at fair value through other comprehensive income		–	(1,523)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(2,287,628)**	93,075
(Loss)/profit attributable to:			
Owners of the Company		**(2,256,630)**	113,530
Non-controlling interests		**(24,512)**	(14,684)
		(2,281,142)	98,846
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(2,260,404)**	107,759
Non-controlling interests		**(27,224)**	(14,684)
		(2,287,628)	93,075
(Losses)/earnings per share attributable to owners of the Company	*7*		
– Basic		**RMB (0.11)**	RMB0.01
– Diluted		**RMB (0.11)**	RMB0.01

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	31 December 2019 (Unaudited)	2018 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**185,628**	706,767
Investment properties		**4,270,400**	5,408,444
Prepaid land lease payments		**–**	197,500
Right-of-use assets		**225,325**	–
Goodwill		**16,271**	16,271
Investments in associates		**1,192,517**	1,105,416
Investments in joint ventures		**3,177,540**	3,825,696
Deferred tax assets		**243,869**	242,837
Financial assets at fair value through other comprehensive income		**150,657**	150,657
Other financial assets at amortised cost		**–**	574,426
Other non-current assets		**173,634**	171,474
		9,635,841	12,399,488
Current assets			
Prepaid land lease payments		**931,711**	1,808,404
Properties held or under development for sale		**996,677**	1,542,450
Inventories		**876**	848
Trade receivables	*9*	**11,573**	16,984
Other receivables		**2,156,303**	2,365,212
Prepayments and other current assets		**35,298**	341,216
Right-of-use assets		**5,380**	–
Prepaid income tax		**68,302**	103,400
Other financial assets at amortised cost		**1,117,123**	1,611,011
Cash and cash equivalents		**518,956**	698,610
Restricted cash		**2,632**	2,623
		5,844,831	8,490,758
Total assets		**15,480,672**	20,890,246

	Notes	31 December **2019** ***(Unaudited)***	2018 *(Audited)*
EQUITY AND LIABILITIES			
Equity			
Issued share capital and share premium		**6,747,788**	6,747,788
Other reserves		**236,121**	235,929
(Accumulated losses)/retained profits		**(1,803,347)**	461,772
Equity attributable to owners of the Company		**5,180,562**	7,445,489
Non-controlling interests		**304,948**	372,762
Total equity		**5,485,510**	7,818,251
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**3,938,973**	2,737,118
Lease liabilities		**35,025**	–
Deferred tax liabilities		**1,436,028**	1,498,997
		5,410,026	4,236,115
Current liabilities			
Interest-bearing bank and other borrowings		**697,855**	4,905,884
Lease liabilities		**7,538**	–
Contract liabilities		**295,791**	420,959
Trade payables	*10*	**453,755**	609,853
Other payables and accruals		**2,237,226**	2,041,820
Current income tax liabilities		**892,971**	857,364
		4,585,136	8,835,880
Total liabilities		**9,995,162**	13,071,995
Total equity and liabilities		**15,480,672**	20,890,246

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

1. BASIS OF PREPARATION

The unaudited 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 2019 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 financial assets at fair value through other comprehensive income which have been measured at fair value. The consolidated financial statements are presented in thousands of Renminbi ("RMB") unless otherwise stated.

The preparation of unaudited consolidated financial statements in conformity with HKFRSs 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.

Going concern basis

As at 31 December 2019, the Group's current liabilities included RMB697.9 million of current borrowings out of which RMB200 million were immediately repayable or payable on demand triggered by deterioration of financial conditions of certain related parties of the Group in 2018. Subsequent to 31 December 2019, the arrest of Mr. Peng Xinkuang, who is an executive director and the former chief executive officer and chairmen of the board of director of the Company, and the detention of Mr. Chen Donghui, who is also an executive director of the Company, technically constituted the occurrence of certain triggering events under certain loan agreements of certain loans borrowed or guaranteed by the Group. These above events resulted in a total of RMB1,183 million of Group's borrowings, out of which RMB918.2 million was included in non-current borrowings as at 31 December 2019, and the loan of RMB3,414 million of a joint venture which is guaranteed by the Group, becoming immediately repayable after year end. However, the Group's cash and cash equivalents amounted to RMB519 million only as at 31 December 2019.

The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstance, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as going concern. The Group has formulated following plans and measures to mitigate the liquidity pressure and to improve its cash flows.

1) Although no demand for immediate repayment has been made by the relevant lenders, and interest payments and the repayments of such loans have been made in accordance with original repayment schedules up to the release of these financial statements, the Group has been proactively communicating with the relevant lenders to explain that the Group's business, operations, financial condition and cash position remain normal and stable, and the Group has sufficient financial resources to support the normal repayments of the relevant loans. The directors are confident to convince the relevant lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

2) The Group is actively negotiating with several financial institutions for grant of new loans, offering a sufficient pledge of assets and at a reasonable cost. Certain financial institutions have indicated their intention to grant new loans to the Group. Considering the Group's ability in providing sufficient pledges of properties and other assets, and the Group's good credit history, the directors are confident that the Group will be able to secure new loans at a reasonable cost.

3) The Group continued speeding up its divestments of its financial assets investments, its investment in certain property assets and its equity holding in certain joint venture and associated companies following its certain strategic change. Subsequent to 31 December 2019, the preparation and negotiations with certain counterparties in divestment of equity holding in certain joint venture progressed well, and the Group expects to close the deals in next few months and collect most consideration before the end of 2020.

   Considering the Group's financial assets investments mostly have property projects as underlying assets, and our own property projects are mostly in prime locations, the directors are confident that the Group will be able to successfully complete the above-mentioned divestments and secure more deals in 2020 and timely generate cash inflows for the Group.

   Management has prepared the Group's cash flow forecast which covers a period of at least 12 months from 31 December 2019. The cash flow forecast has taken into account the anticipated cash flows generated from the Group's operations, the completion of divestment transactions which are currently at different stages, the successful obtaining of new borrowings, and collection of relevant proceeds on time. These assumptions about future events and conditions are subject to inherent estimation and uncertainties. The directors, after considering the basis of management's projections described above, believe that, taking into account the above-mentioned actions and planned measures and their progress, the Group will have sufficient funds to finance its operations and to meet its financial obligations when they fall due within the next 12 months from 31 December 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) the successful maintenance of a continuing and normal business relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to exercise their contractual rights to demand immediate repayment of the relevant borrowings and guarantees;

(ii) the successful obtaining of additional sources of financing as and when needed;

(iii) the successful divestments of financial assets investments, investment in certain property assets and equity holding in certain joint venture and associated companies and collect the considerations on time.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(i) New standard, amendments and interpretation of HKFRSs adopted by the Group in 2019

The Group has adopted the following new standard, amendments and interpretation of HKFRSs effective for the financial year ended 31 December 2019.

- HKFRS 16 "Lease"
- HK(IFRIC)23 "Uncertainty over Income Tax Treatments"
- Amendments to HKFRS 9 "Regarding prepayment features with negative compensation"
- Amendments to HKAS 28 "Regarding long-term interests in associates and joint ventures"
- Amendments to HKAS 19 "Regarding plan amendment, curtailment or settlement"
- Annual Improvement 2015-2017 Cycle

The adoption of the above new standard, amendments and interpretation of HKFRSs do not have a material impact on the financial position and performance of the Group for the year ended 31 December 2019, nor resulted in restatement of comparative figures.

The Group has not early adopted any new financial reporting and accounting standards, amendments or interpretations of HKFRSs that were issued but are not yet effective.

3. REVENUE

An analysis of revenue is as follows:

	2019	2018
	(Unaudited)	(Audited)
Revenue from sale of properties	**451,378**	1,280,765
Revenue from property leasing	**114,312**	161,785
Revenue from property management	**22,885**	18,311
Revenue from construction of infrastructure for an intelligent network	**1,837**	4,985
Other revenue	**70,714**	99,611
	661,126	1,565,457
Less: Tax and surcharges	**(9,791)**	(14,148)
Total revenue	**651,335**	1,551,309

4. EXPENSES BY NATURE

An analysis of expenses by nature is as follows:

	2019 (Unaudited)	2018 (Audited)
Cost of inventories sold (excluding depreciation, reversal of impairment of properties held or under development for sale and prepaid land lease payments)	**496,326**	1,263,259
Depreciation of items of property, plant and equipment	**19,488**	26,097
Employee benefit expense (including directors' and chief executive officer's emoluments, excluding those capitalised in property under development)	**130,927**	105,454
Reversal of impairment of properties held or under development for sale	**(6,887)**	(69,813)
Reversal of impairment of prepaid land lease payments	**(61,894)**	(158,748)
Professional service fees	**31,274**	67,035
Agent and sale commission for sale of properties	**18,153**	27,800
Operating lease payments in respect of buildings	**3,980**	15,500
Auditors' remuneration (*)		
– Annual audit services	**4,900**	4,900
– Non-audit services	**832**	–
Advertising costs	**8,464**	5,540
Miscellaneous tax	**15,790**	20,196
Transportation fee	**6,435**	9,538
Office expenses	**5,856**	8,223
Water and electricity costs	**4,284**	6,668
Provision for impairment of other receivables	**476,811**	6,729
(Reversal of) provision for impairment of trade receivables	**(74)**	172
Provision for impairment of other financial assets at amortised cost	**589,273**	4,365
Provision for impairment of other non-current assets	**3**	210
Others	**37,389**	32,363
	1,781,330	1,375,488

* Auditors' remuneration for 2019 included non-audit service fees of RMB712 thousand in respect of services for circulars issued in 2019 and RMB120 thousand in respect for consulting services relating to environmental, social and governance report. In 2018, no non-audit service fee was incurred.

5 OTHER (LOSSES)/GAINS – NET

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

	2019 **(Unaudited)**	2018 (Audited)
Impairment of investment in joint ventures	**(549,878)**	–
Impairment of investment in property, plant and equipment	**(504,021)**	–
Net fair value (loss)/gain on investment properties	**(32,719)**	45,956
Impairment of investment in associates	**(4,172)**	–
Penalties on idle land	**(2,000)**	(47,000)
Net gain on disposal of property, plant and equipment	**249**	61
Gains from disposal of financial assets at fair value through other comprehensive income	**–**	94,385
Gains from disposal of financial assets at fair value through profit or loss	**–**	8,228
(Adjustment of) forfeiture of prepayments	**(16,248)**	60,000
Others	**9,620**	14,483
	(1,099,169)	176,113

6. INCOME TAX EXPENSE/(CREDIT)

An analysis of income tax is as follows:

	2019 **(Unaudited)**	2018 (Audited)
Current taxation		
– Mainland China income tax	**66,057**	28,045
– Mainland China LAT	**(8,777)**	28,345
	57,280	56,390
Deferred taxation		
– Mainland China income tax	**7,585**	45,977
– Mainland China LAT	**(1,856)**	3,233
– Mainland China withholding tax	**(17,757)**	3,037
	(12,028)	52,247
Total tax charge for the year	**45,252**	108,637

7. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

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

	2019	2018
	(Unaudited)	(Audited)
(Loss)/profit attributable to owners of the Company	**(2,256,630)**	113,530
Weighted average number of ordinary shares in issue (thousands)	**20,564,713**	20,564,713

(b) Diluted

Diluted (losses)/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 2019 and 2018, 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 (losses)/earnings per share is anti-dilutive.

8. 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 2019 (2018: nil).

9. TRADE RECEIVABLES

	2019	2018
	(Unaudited)	(Audited)
Trade receivables	**34,316**	44,999
Less: Provision for impairment	**(22,743)**	(28,015)
	11,573	16,984

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

	2019 **(Unaudited)**	2018 (Audited)
Within 6 months	**3,335**	6,666
6 months to 1 year	**–**	5,504
1 to 2 years	**8,238**	5,610
Over 2 years	**22,743**	27,219
	34,316	44,999

The Group's sales of development properties 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:

	2019 **(Unaudited)**	2018 (Audited)
Neither past due nor impaired	**3,335**	11,451
Past due but not impaired:		
Within 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 120 days	**–**	–
Over 121 days	**8,238**	5,533
	8,238	5,533
	11,573	16,984

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:

	2019	2018
	(Unaudited)	(Audited)
At beginning of year	**28,015**	27,843
Additions	**–**	414
Reversals	**(74)**	(242)
Disposal of a subsidiary	**(5,198)**	–
At end of year	**22,743**	28,015

10. 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:

	2019	2018
	(Unaudited)	(Audited)
Within 1 year	**278,514**	343,385
1 to 2 years	**85,845**	102,312
Over 2 years	**89,396**	164,156
	453,755	609,853

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 2019, the PRC central government consistently adhered to the long-term mechanism of "Stabilizing land prices, housing prices and expectations", and not using real estate as a short-term economic stimulus. It has repeatedly emphasized the comprehensive implementation of "targeted policy for specific city" and the policy level has eased, and "four limits" have been partially relaxed. The financing environment was still difficult. Trust, overseas debt, development loans and other channels continue to be limited. The financing cost of the overall interest-bearing debt balance of real estate enterprises continues to rise. The overall pressure was significant. Real estate enterprises paid more attention to the collection of sales receivables and the construction of innovative financing products. In 2019, the sales of new houses by the top 30 real estate enterprises accounted for half of the country's total. The overall concentration of the industry has further increased; the growth rate of sales has slowed down; and the industry's profits have entered into a stable period.

Facing external environmental pressure, the Group maintained a strategic and steady focus on the optimization and upgrading of existing assets. In terms of sales, the Group increased sales efforts. As for operations, the Group has strengthened its cost control and optimized procedures, pursuing the stability of cash flow while ensuring the progress of the projects. In terms of investment, the Group was more cautious in making investments and managed to catch the right moment for exit. During the year, the Group grasped the market opportunity to realize return from some of its assets in advance. The Group implemented the financial real estate model successfully, to ensure the stability of the Group's cash flow and the orderly development of various operations. At the same time, the Group further optimized the Company's asset structure and further consolidated its value.

In 2019, the Group's major projects available for sale were Beijing Chenfang Garden, Shanghai Masters Mansions, Jiaxing Project, Shanghai Albany Oasis Garden, Chengdu Albany Oasis Garden, Phnom Penh Romduol City and the Atelier. In 2019, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB2.772 billion, with a total gross floor area of approximately 102,855 m^2.

Project	**Monetary Amount of Sales Contracts Signed** *(RMB'000)*	**Contractual Gross Area** *(m^2)*
Beijing Chenfang Garden	1,122,262	36,483
Jiaxing Project	281,088	28,464
Shanghai Masters Mansions	738,687	27,465
Shanghai Albany Oasis Garden	505,425	4,744
Chengdu Albany Oasis Garden	15,160	983
The Atelier in the UK	48,488	117
Phnom Penh Romduol City	47,312	4,315
Others	13,553	284
Total	2,771,975	102,855

In 2019, the Group recorded net revenue of approximately RMB651 million (2018: RMB1,551 million). Gross profit for 2019 amounted to approximately RMB187 million (2018: RMB474 million).

Revenue	**2019** *(RMB'000)*	2018 *(RMB'000)*
Revenue from sale of properties	**451,378**	1,280,765
Revenue from property leasing	**114,312**	161,785
Revenue from property management	**22,885**	18,311
Revenue from construction of infrastructure for an intelligent network	**1,837**	4,985
Other revenue	**70,714**	99,611
	661,126	1,565,457
Less: Tax and surcharges	**(9,791)**	(14,148)
Total revenue	**651,335**	1,551,309

DEVELOPMENT PROJECTS

Our development projects mainly included Shanghai Rich Gate I, Chengdu Albany Oasis Garden, Changsha Fudi Albany Project, Jiaxing Project, Dalian Oasis City Garden, 75 Howard Project in the USA and Phnom Penh Romduol City.

Progress of Relocation

Shanghai Rich Gate I (Qinhai Oasis Garden)

As at the end of 2019, contracts were signed for 964 certificates of households (including certificates of individuals) in aggregate, representing a signing rate of 96%; 923 certificates of households (including certificates of individuals) were relocated in aggregate, representing a relocating rate of 92%; 34 certificates of enterprises signed contracts, accounting for 87% for the total 39 certificates, among which 23 certificates were relocated and settled representing 59%; the expropriation work was effectively promoted.

Changsha Fudi Albany Project

As at October 2019, the phase I land delivery has been processed; the sales office engineering construction work planning permit has been obtained during the year; the on-site temporary power installation has been completed; and the phase I construction work planning permit is being processed.

Shanty Town Renovation Project in Zhangjiakou

As at the end of 2019, contracts were signed for 806 households, and the remaining 151 households have not signed a contract, representing a signing rate of approximately 84.22%, of which 182 households have been signed for the "North District + Road" land plot, representing a signing rate of 72%.

Progress of Construction

Chengdu Albany Oasis Garden

In 2019, for Phase II of Chengdu Albany Oasis Garden, interior refined decoration for Blocks No. 3 and 4 were completed successfully and the delivery rate reached 99%. The goals at the beginning of the year were completed in advance, and the cost control work performed well.

Jiaxing Project

In 2019, the structure of the buildings on the north side of the Jiaxing Lanwan Project Phase II has been completed, and the three-story building structure on south side has been completed. The north side and the south side were opened for sale in September and December 2019, respectively, and the sales were good.

Dalian Oasis City Garden

Dalian Oasis City Garden is located in Wafangdian City and divided into 9 sections. During the first half of 2019, land certificates for 9 sections of the project have been obtained. The demolition of the free underground oil pipelines has been completed, and related projects such as project design were being carried out during the year.

75 Howard Project in the USA

75 Howard Project in the USA is located in the CBD of the northeast corner of San Francisco, adjacent to the Harbour Bridge. The project has a total saleable area of approximately 20,000 m^2 and is planned to be a high end apartment with 120 units. As at the end of 2019, engineering structure of six floors of the project were completed, and a pre-sale permit was obtained in December, and presale has officially commenced in January of the following year.

The Atelier in the UK

The Atelier in the UK is located at Kensington, London, with 43 saleable units and saleable area of 3,259 m^2. The project was completed in 2019, and the previously signed properties are being delivered successively. The delivery rate has reached 92%. The remaining 6 properties are currently in phase of storage clearance sales.

Phnom Penh Romduol City Project

Phnom Penh Romduol City Project is located in the Sen Sok District, west of the Cambodian capital, Phnom Penh. It is an emerging area for Phnom Penh development. It is adjacent to Russian Boulevard, the only main road that runs through the east and west and connecting the airport to the urban area. The project has saleable area of approximately 90,321 m^2 , including residential and business properties. In 2019, the phase I supporting construction has been completed, and earthwork construction has been started. The project has been opened for pre-sale.

Land Bank

As at 31 December 2019, the Group owned a land bank with a total gross floor area of approximately 1.83 million m^2 in Shanghai, Changsha, Jiaxing, Dalian, San Francisco and Phnom Penh 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

In 2019, the Group continued to enhance the management and operation of its self-owned properties to cope with the changing market conditions and opportunities, expeditiously adjusted the operation strategies, utilized its brand advantages and management capabilities, and strived to improve profitability with the benefits of the experiences earned.

Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, Oasis Central Ring Centre is designed as a composite eco-business cluster in the form of a circular commercial street connected with office building. In 2019, the Oasis Central Ring Centre introduced quality merchants and continued to optimize the commercial structure and format. The occupancy rate continued to be 100%, representing a steady increase in operating revenue and profits as compared with last year.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall is committed to become a one-stop integrated center with business, leisure and life elements, accommodating for shopping, leisure & entertainment, and food & beverage needs and requirements. The project continued to make tremendous efforts in attracting tenants. In 2019, the increased leased area reached 79,400 m^2 in aggregate, overall rent level has increased as compared with same period of last year, and the operation is relatively stable.

Shanghai Lake Malaren Golf Course Project

Shanghai Lake Malaren Golf Course is a high-level professional golf course in Northern Shanghai and has been rated as the ninth of the top 100 golf courses in Mainland China during the year. Popularity of the stadium continued. It is also relatively steady in both operating revenue and gross profits as compared with last year.

EXIT FROM INVESTMENT AFTER MAKING A PROFIT

The UK Office Project

Two UK office buildings were acquired in 2016. After the acquisition, asset valuations were increased through financing, planning and demonstration and leasing optimization. In 2018, 48.9% equity of the project has been exited. During the first half of 2019, the entire exit from the remaining equity was smoothly implemented with a collection of funds of 30.90 million pounds, and the Group obtained a reasonable return on investment.

Laogang Project

In 2017, the Group and Shanghai Evergrande jointly acquired the debenture of Laogang Logistics Real Estate asset package, which the Group contributed RMB45.05 million. After the acquisition, we continued to negotiate with the debtor to settle the payment plan and contact the buyer. In 2019, the creditor's rights were transferred at a premium, and the funds collected by us were RMB57 million. The financial real estate model was successfully implemented again.

Shenyang Albany Garden Project

Shenyang Albany Garden Project is located in Heping District, Shenyang City Center. The developed property has a construction area of 338,000 m^2, and the permitted gross floor area of the property under development is 216,000 m^2. During 2019, in order to better achieve strategic focus, focus on existing assets and seek to fully realize the potential of funds, after continuous negotiations with a number of interested parties, the Group transferred all the equity in Shenyang Albany Garden Project for a consideration of RMB1,832 million, which achieved a greater appreciation than the original project's valuation.

MAJOR TRANSACTIONS

1. On 30 May 2019 (after trading hours), Sinopower Investment Limited (華通投資有限公司) (a direct wholly-owned subsidiary of the Company) entered into an agreement with, among others, Ronghe International Group Limited (榮和國際集團有限公司) (a connected person of the Company at the subsidiary level) and Well Win Holding Trading Limited (佳成控股貿易有限公司), pursuant to which Sinopower Investment Limited agreed to sell, and Ronghe International Group Limited and Well Win Holding Trading Limited agreed to purchase, an aggregate of 51.1% of the equity interest in and of the total outstanding shareholder loan due from Profit Concept Investments Limited (潤斯投資有限公司) for a total consideration of approximately £31.76 million. This disposal transaction was aggregated with another disposal transaction of the Company which took place in 2018 as a series of transactions pursuant to Rule 14.22 of the Listing Rules. Further details are set out in the Company's announcement dated 30 May 2019 and circular dated 12 July 2019.

2. On 11 June 2019 (after trading hours), Konmen Investment Limited (康明投資有限公司) (an indirect wholly-owned subsidiary of the Company), Shenyang Luyi Hotel Management Co., Ltd. (瀋陽綠怡酒店管理有限公司) (an indirect wholly-owned subsidiary of the Company) and Shanghai Ya Luo Enterprise Management Partnership (Limited Partnership) (上海亞羅企業管理合夥企業(有限合夥)) as sellers and Hong Kong Chong Dei Company Limited (香港創地有限公司) and 瀋陽瑞光貿易有限公司 (Shenyang Ruiguang Trading Co., Ltd.) as purchasers entered into a sale and purchase agreement, pursuant to which (i) the sellers agreed to sell and the purchasers agreed to purchase 100% equity interest in Liaoning Gao Xiao Support Group Property Development Co., Ltd. (遼寧高校後勤集團房地產開發有限公司) for an aggregate price of RMB1,150 million; and (ii) the purchasers agreed to pay to Konmen Investment Limited and Shenyang Luyi Hotel Management Co., Ltd. the total outstanding loan due from Liaoning Gao Xiao Support Group Property Development Co., Ltd. to the Group, which amounted to approximately RMB135.16 million as at 30 April 2019. The purchasers also agreed to pay the loan and the related interest owed by Liaoning Gao Xiao Support Group Property Development Co., Ltd. to China Minsheng Jiaye Investment Co., Ltd (a controlling shareholder of the Company), which amounted to approximately RMB269.79 million as at 30 April 2019. Further details are set out in the Company's announcement dated 11 June 2019 and circular dated 25 July 2019.

THE GROUP'S AWARDS

1. The Shanghai Lake Malaren Convention Centre was awarded 2019 "Quality Service Compliance Unit" by the Tourism Development Association of Baoshan District of Shanghai

2. The Shanghai Lake Malaren Convention Centre was awarded the "Advanced Unit" by the Tourism Development Association of Baoshan District of Shanghai

3. The Shanghai Lake Malaren Convention Centre was awarded the "Best Business Hotel" by Ctrip in 2019

4. The Shanghai Lake Malaren Convention Centre was awarded the "Food Safety Advanced Unit in Catering Services in Baoshan District" in Baoshan District by Shanghai Baoshan Catering Association

5. Shanghai Lake Malaren Golf Course Project ranked top ten of top 100 golf courses in Mainland China by "GolfDigest"

BUSINESS OUTLOOK

In 2019, the PRC central government consistently adhered to the long-term management regulation mechanism of "Stabilizing land prices, housing prices and expectations", promoting the stable and healthy development of the real estate market. Urbanization is the fundamental driving force for the development of real estate. At present, real estate is facing regulation and control. Although there are fluctuations, China's urbanization rate is still lower than that of the developed countries such as the United States, Japan, and Britain while the leverage ratio of residents is also lower than that of main developed countries, there is a lot of room for improvement. Since 2019, urban renewal represented by the transformation of old communities has risen to the level of national policy, and has become a new round of market hotspots. In general, there is still much room for development in the real estate market.

In 2020, the Group will combine its own advantages and thoroughly grasp the policy direction. Based on the Company's sustainable development, safeguarding the interests of shareholders and investors, the Group will continue its layout in the real estate development and real estate investment sectors. The Group will work with annual business goals as the guide, capital as the link, and asset pricing as the starting point to increase performance evaluation and create a win-win situation. At the same time, the Group will focus on strategy, further optimize the asset structure, and explore diversified financing channels for financing; the Group will accelerate the pace of development for development properties, improve operations and valuations for holding properties, and lay a solid foundation for project expansion and external financing; and ensure smooth progress of various tasks.

FINANCIAL REVIEW

Revenue and profit attributable to shareholders

In 2019, the Group recorded unaudited net revenue of approximately RMB651 million (2018: RMB1,551 million), which represents a decrease by approximately 58% compared with that of 2018. Loss attributable to owners of the Company in 2019 was approximately RMB2,256 million (unaudited) while profit attributable to owners of the Company in 2018 was approximately RMB114 million (audited). Such loss is mainly attributable to the decrease in revenue and gross profit from real estate development as a result of the decrease in areas delivered in the sales of the properties. Meanwhile, due to the downward pressures on macro-economy on property business, the Group provided large impairment losses for some properties, investments and receivables after careful consideration.

Dividend

The Board has resolved not to recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: Nil).

Financial Resources and Liquidity

As at 31 December 2019, cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB522 million (2018: RMB701 million). Working capital (net current assets) of the Group as at 31 December 2019 amounted to approximately RMB1,260 million (2018: RMB-345 million), representing an increase of 465% as compared with the preceding year, and the current ratio was approximately 1.27x (2018: 0.96x).

As at 31 December 2019, the Group's total liabilities to total equity decreased to 1.82x (2018: 1.67x). As at 31 December 2019, the Group's gearing ratio was approximately 43% (2018: 47%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balances) over total capital (total equity and net borrowings).

EMPLOYEES

As at 31 December 2019, the Group had 419 (2018: 482) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for the year 2019 amounted to approximately RMB133 million (2018: RMB82 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 2019, total bank and other borrowings of approximately RMB1,743 million (2018: RMB3,504 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 RMB118 million and these contracts were still effective as at the close of business on 31 December 2019.

The Group also provided guarantee to a joint venture of the Group. As at 31 December 2019, such guarantee amounted to approximately RMB3,414 million (31 December 2018: approximately RMB3,259 million).

In addition, the Group's certain equity interests in subsidiaries have been frozen in connection with a litigation against a subsidiary. The Group also has some other litigations in relation to certain prior transactions. The Directors consider that it is very remote for the Group to incur any losses arising from these litigations and thus not meaningful to provide further details.

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 2019.

CORPORATE GOVERNANCE PRACTICES

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2019, 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 technically deviated from this code provision.

Code Provision A.2.1

Mr. Peng Xinkuang ("Mr. Peng") served as both the Chairman and the Chief Executive Officer of the Group during the period from 18 July 2019 to 28 February 2020.

Pursuant to Code Provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Chairman of the Group is responsible for leading the Board to ensure that it operates effectively and performs its duties, while Chief Executive Officer of the Group is responsible for the overall implementation of the Group's business development and general management. The Board had considered the merits of distinguishing between the roles of Chairman and Chief Executive Officer, but believed that it was in the best interest of the Company for Mr. Peng to hold two positions at the same time. The Board believed that Mr. Peng holding two positions at the same time would enable the Company to obtain more unified leadership and facilitate the implementation of the Group's business strategies.

Code Provision A.6.7

Pursuant to Code Provision A.6.7 of the Code, independent non-executive directors and other non-executive Directors should attend general meetings. Mr. Han Gensheng, an independent non-executive director, did not attend the annual general meeting of the Company for the year 2019 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 of the Company 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 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to restrictions in force in parts of China to combat the outbreak of COVID-19, the audit of the financial statements of the Group for the year ended 31 December 2019 has not been completed as of today. The unaudited results for the year ended 31 December 2019 contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

On Behalf of the Board
SRE Group Limited
Lei Dechao
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises eight executive directors, namely Mr. Lei Dechao, Mr. Zhu Qiang, Ms. Qin Wenying, Mr. Jiang Qi, Ms. Jiang Chuming; Mr. Zong Shihua, Mr. Peng Xinkuang (suspended) and Mr. Chen Donghui (suspended); 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*