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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)

AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "**Board**") of SRE Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**2020**	2019
Revenue	*4*	**289,201**	651,335
Cost of sales	*5*	**(352,662)**	(464,490)
Gross (loss)/profit		**(63,461)**	186,845
Gains from disposal of subsidiaries and interests in a joint venture — net		**81,418**	157,336
Net impairment losses on financial assets	*5*	**(278,148)**	(1,066,013)
Other income	*6*	**139,416**	–
Other losses — net	*6*	**(484,442)**	(1,099,169)
Selling and marketing expenses	*5*	**(24,493)**	(35,270)
Administrative expenses	*5*	**(160,832)**	(215,557)
Operating loss		**(790,542)**	(2,071,828)
Finance income		**8,059**	130,127
Finance costs		**(208,229)**	(395,678)
Finance costs — net		**(200,170)**	(265,551)
Share of results of associates		**81,114**	106,722
Share of results of joint ventures		**(57,067)**	(5,233)
Loss before income tax		**(966,665)**	(2,235,890)
Income tax expense	*7*	**30,226**	(45,252)
Loss for the year		**(936,439)**	(2,281,142)

	Notes	**2020**	2019
Other comprehensive (losses)/income, net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(77,786)**	(8,403)
Item recycled to profit or loss:			
Exchange differences previously recognised through other comprehensive income recycled to profit or loss and included in gains from disposal of subsidiaries		**(392)**	1,917
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,014,617)**	(2,287,628)
Loss attributable to:			
Owners of the Company		**(918,778)**	(2,256,630)
Non-controlling interests		**(17,661)**	(24,512)
		(936,439)	(2,281,142)
Total comprehensive loss attributable to:			
Owners of the Company		**(996,956)**	(2,260,404)
Non-controlling interests		**(17,661)**	(27,224)
		(1,014,617)	(2,287,628)
Losses per share attributable to owners of the Company	*8*		
— Basic		**RMB(0.04)**	RMB (0.11)
— Diluted		**RMB(0.04)**	RMB (0.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Amounts presented in thousands of Renminbi unless otherwise stated)

		31 December	
	Notes	**2020**	2019
ASSETS			
Non-current assets			
Property, plant and equipment		**178,259**	185,628
Investment properties		**4,112,500**	4,270,400
Right-of-use assets		**221,380**	230,705
Goodwill		**–**	16,271
Investments in associates		**983,778**	1,192,517
Investments in joint ventures		**2,619,175**	3,177,540
Deferred tax assets		**253,004**	243,869
Financial assets at fair value through other comprehensive income		**38,056**	150,657
Other non-current assets		**162,401**	173,634
		8,568,553	9,641,221
Current assets			
Prepaid land lease payments		**756,407**	931,711
Properties held or under development for sale		**1,031,028**	996,677
Inventories		**448**	876
Trade receivables	*11*	**42,057**	11,573
Other receivables		**1,857,011**	2,103,803
Prepayments and other current assets		**61,642**	35,298
Prepaid income tax		**25,369**	68,302
Other financial assets at amortised cost	*10*	**1,463,229**	1,169,623
Cash and cash equivalents		**379,654**	518,956
Restricted cash		**2,641**	2,632
		5,619,486	5,839,451
Total assets		**14,188,039**	15,480,672

	Notes	31 December **2020**	2019
EQUITY AND LIABILITIES			
Equity			
Issued share capital and share premium		**6,747,788**	6,747,788
Other reserves		**167,842**	236,121
Accumulated losses		**(2,732,024)**	(1,803,347)
Equity attributable to owners of the Company		**4,183,606**	5,180,562
Non-controlling interests		**287,287**	304,948
Total equity		**4,470,893**	5,485,510
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**3,064,658**	3,938,973
Lease liabilities		**32,599**	35,025
Deferred tax liabilities		**1,398,301**	1,436,028
		4,495,558	5,410,026
Current liabilities			
Interest-bearing bank and other borrowings		**1,511,281**	697,855
Lease liabilities		**5,682**	7,538
Contract liabilities		**546,270**	295,791
Trade payables	*12*	**445,888**	453,755
Other payables and accruals		**1,821,103**	2,237,226
Current income tax liabilities		**891,364**	892,971
		5,221,588	4,585,136
Total liabilities		**9,717,146**	9,995,162
Total equity and liabilities		**14,188,039**	15,480,672

NOTES:

1. CORPORATE AND GROUP INFORMATION

SRE Group Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company began to list on the Stock Exchange on 10 December 1999. The principal place of business of the Company in Hong Kong was changed from Suite 1001, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong to Level 11, Admiralty Tower 2, 18 Harcourt Road, Admiralty, Hong Kong on 15 August 2019.

The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in real estate development and investment in Mainland China, on projects located in gateway cities of developed and developing markets.

As at 31 December 2020, the Company's parent company is China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye"), which holds 61.44% (2019: 61.41%) of the Company's shares.

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

2. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2020 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 preparation of 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.

2.1 Going concern basis

As at 31 December 2020, the Group's current liabilities included RMB1,511.3 million of borrowings, out of which RMB1,067.1 million were defaulted and became immediately repayable on demand triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018; and (2) the arrest of Mr. Peng Xinkuang, a former director of the Company, and the detention of Mr. Chen Donghui, a former director of the Company, by the relevant authorities in the PRC in January and February 2020. The above events also resulted in the defaults of a joint venture's loan of RMB3,451.8 million guaranteed by the Group which gave rights of the relevant lenders to demand the Group to fulfill its guarantee obligation to repay the loan of the joint venture. As at 31 December 2020, however, the Group's cash and cash equivalents amounted to RMB379.7 million only.

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 a going concern. The Group has formulated the 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, 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 repayments of the relevant loans under original repayment schedules. The directors are confident of convincing 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 has also been proactively communicating with the lenders of the loan of the joint venture guaranteed by the Group, and the lenders have neither demanded the joint venture for immediate repayment of the loan nor requested the Group to immediately fulfill its guarantee obligation to repay the loan on behalf of the joint venture. The directors are confident of convincing the lenders not to exercise such rights to request the joint venture for immediate repayment of the loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

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

4) The Group will continue to speed up its divestments of its financial assets investments, its collection of proceeds from previous disposal transaction, and its return from previous investments in certain joint ventures after their pre-sales of properties under development. Considering the Group's investments in financial assets and joint ventures have property projects as underlying assets, the directors are confident that the Group will be able to successfully and timely generate cash inflows for the Group from above-mentioned transactions and investments.

The directors of the Company have reviewed the Group's cash flow forecast prepared by the management of the Company, which covers a period of at least 12 months from 31 December 2020. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within the next 12 months from 31 December 2020. 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 followings:

(i) 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;

(ii) successful maintenance of a continuing and normal business relationship with the lenders of the joint venture of the Group such that no action will be taken by the lenders to exercise their contractual rights to demand immediate repayment of the joint venture's loan or request the Group to fulfill its guarantee obligation;

(iii) successful in obtaining additional sources of financing as and when needed;

(iv) successful and timely divestments of the Group's financial assets investments, timely collection of proceeds from previous disposal transaction, and successful and timely collection of returns from previous investments in certain joint ventures.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(i) New standard, amendments and interpretation of HKFRSs adopted by the Group in 2020

The Group has adopted the following new standard, amendments and interpretation of HKFRSs effective for the financial year ended 31 December 2020.

- Amendments to HKAS 1 and HKAS 8
- Amendments to HKFRS 3
- Revised Conceptual Framework for Financial Reporting
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Amendments to HKFRS 16 — COVID-19-Related Rent Concessions

The adoption of the above new standard, amendments and interpretation of HKFRSs does not have a material impact on the financial position and performance of the Group for the year ended 31 December 2020, 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. 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 the same as that for the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

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.

The reportable operating segments 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 comprise, principally, the corporate activities that are not allocated to segments and miscellaneous insignificant operations including provision of property management services.

An analysis by operating segment is as follows:

	2020			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	**113,614**	**94,615**	**80,972**	**289,201**
Intersegment sales	**–**	**–**	**50,518**	**50,518**
	113,614	**94,615**	**131,490**	**339,719**
Reconciliation:				
Elimination of intersegment sales				**(50,518)**
Revenue				**289,201**
Segment loss	**(115,003)**	**(144,850)**	**(530,689)**	**(790,542)**
Finance income				**8,059**
Finance costs				**(208,229)**
Finance costs — net				**(200,170)**
Share of results of associates				**81,114**
Share of results of joint ventures				**(57,067)**
Loss before income tax				**(966,665)**
Segment assets and liabilities				
Segment assets	**3,214,318**	**4,840,315**	**2,530,453**	**10,585,086**
Investments in associates				**983,778**
Investments in joint ventures				**2,619,175**
Total assets				**14,188,039**
Segment liabilities	**5,134,447**	**1,612,882**	**2,969,817**	**9,717,146**
Total liabilities	**5,134,447**	**1,612,882**	**2,969,817**	**9,717,146**

	2020			
	Property development	**Property leasing**	**Other operations**	**Total**
Other segment information:				
Depreciation and amortisation	**615**	**261**	**17,176**	**18,052**
Capital expenditure*	**113**	**35,876**	**1,159**	**37,148**
Net fair value loss on investment properties	**–**	**189,033**	**–**	**189,033**
Provision for impairment of properties held or under development for sale	**52,222**	**–**	**–**	**52,222**
Provision for impairment of prepaid land lease payments	**142,696**	**–**	**–**	**142,696**
Provision for impairment of goodwill	**16,271**	**–**	**–**	**16,271**
Net impairment loss on financial assets	**195,792**	**37,208**	**45,148**	**278,148**
Provision for impairment of investments in joint ventures				**12,581**
Provision for impairment of investments in associates				**268,735**

* Capital expenditure consists of additions of property, plant and equipment (RMB5,029 thousand), additions in cost of investment properties (RMB31,133 thousand) and additions of right-of-use assets (RMB986 thousand).

	2019			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	443,270	113,909	94,156	651,335
Intersegment sales	–	–	53,716	53,716
	443,270	113,909	147,872	705,051
Reconciliation:				
Elimination of intersegment sales				(53,716)
Revenue				651,335
Segment (loss)/profit	(57,499)	4,417	(2,018,746)	(2,071,828)
Finance income				130,127
Finance costs				(395,678)
Finance costs — net				(265,551)
Share of results of associates				106,722
Share of results of joint ventures				(5,233)
Loss before income tax				(2,235,890)
Segment assets and liabilities				
Segment assets	3,307,828	3,265,876	4,536,911	11,110,615
Investments in associates				1,192,517
Investments in joint ventures				3,177,540
Total assets				15,480,672
Segment liabilities	4,471,166	1,199,605	4,324,391	9,995,162
Total liabilities	4,471,166	1,199,605	4,324,391	9,995,162

	2019			
	Property development	Property leasing	Other operations	Total
Other segment information:				
Depreciation and amortisation	591	301	31,572	32,464
Capital expenditure*	10	12,920	44,535	57,465
Net fair value loss on investment properties	–	32,719	–	32,719
Reversal of impairment of properties held or under development for sale	(6,887)	–	–	(6,887)
Reversal of impairment of prepaid land lease payments	(61,894)	–	–	(61,894)
Provision for investments in property, plant and equipment	753	36,579	466,689	504,021
Net impairment loss on financial assets	674,383	–	391,630	1,066,013
Provision for impairment of investments in joint ventures				549,878
Provision for impairment of investments in associates				4,172

* Capital expenditure consists of additions of property, plant and equipment (RMB2,727 thousand), additions in cost of investment properties (RMB12,773 thousand) and additions of right-of-use assets (RMB41,965 thousand).

Geographical information

(a) For the year ended 31 December 2020: 100% (2019: 96.3%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2020, more than 89% (2019: more than 87%) 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 2020 and 2019.

4. REVENUE

An analysis of revenue is as follows:

	2020	2019
Revenue from contract with customers recognized at a point in time		
— Revenue from sale of properties	**114,268**	451,378
— Revenue from hospital service	**13,944**	18,918
	128,212	470,296
Revenue from contract with customers recognized over time		
— Revenue from property management	**28,288**	22,885
— Revenue from hospital service	**32,572**	34,728
— Revenue from construction of infrastructure for an intelligent network	**1,049**	1,837
	61,909	59,450
Revenue from property leasing	**94,888**	114,312
Other revenue	**6,001**	17,068
Less: Tax and surcharges (a)	**(1,809)**	(9,791)
Total revenue	**289,201**	651,335

(a) Tax and surcharges

Tax and surcharges included government surcharges, comprising city maintenance and construction tax, education surtax and river way management fee, which are calculated at certain percentages of value-added tax ("VAT").

Effective from 1 May 2016, the Group's revenue is subject to VAT which is deducted directly from the revenue proceeds. The applicable VAT rate for the Group's revenue is as follows:

- Pursuant to the 'Public Notice on Relevant Policies for Deepening VAT Reform' jointly issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs on 29 March 2019, the applicable tax rates of revenue arising from sale and lease of properties and revenue arising from construction of infrastructure for intelligent network are 9% from 1 April 2019, while they were 10% from 1 May 2018 to 31 March 2019, and 11% before 1 May 2018. Sales and leasing of properties of 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%.

5. EXPENSES BY NATURE

An analysis of expenses by nature is as follows:

	2020	2019
Cost of inventories sold (excluding depreciation, reversal of impairment of properties held or under development for sale and prepaid land lease payments)	**118,928**	496,327
Depreciation of items of property, plant and equipment	**7,741**	19,488
Depreciation of items of right-of-use assets	**10,311**	12,891
Employee benefit expense (including directors' and chief executive officer's emoluments, excluding those capitalised in property under development)	**95,327**	130,927
Provision for/(reversal of) impairment of properties held or under development for sale	**52,222**	(6,887)
Provision for/(reversal of) impairment of prepaid land lease payments	**142,696**	(61,894)
Professional service fees	**22,351**	31,274
Agent and sale commission for sale of properties	**17,180**	18,153
Operating lease payments in respect of buildings	**688**	3,980
Auditors' remuneration (*)		
— Annual audit services	**3,200**	4,900
— Non-audit services	**587**	832
Advertising costs	**3,483**	8,464
Miscellaneous tax	**12,765**	15,790
Transportation fee	**3,413**	6,435
Office expenses	**2,816**	5,856
Water and electricity costs	**3,286**	4,284
Net impairment loss on financial assets		
— Provision for impairment of other receivables	**175,117**	476,811
— Reversal of impairment of trade receivables	**–**	(74)
— Provision for impairment of other financial assets at amortised cost	**64,337**	589,273
— (Reversal of)/provision for impairment of other non-current assets	**(14)**	3
— Provision for impairment of prepayment	**1,500**	–
— Provision for impairment of financial assets at fair value through other comprehensive income	**37,208**	–
Provision for impairment of goodwill	**16,271**	–
Others	**24,722**	24,497
	816,135	1,781,330

* Auditor's remuneration for 2020 included non-audit service fees of RMB448 thousand (2019: RMB712 thousand for circulars issued in 2019) in respect of services for circulars issued in 2020 and RMB139 thousand (2019: RMB120 thousand) in respect for consulting services relating to environmental, social and governance report.

6. OTHER INCOME AND OTHER LOSSES — NET

An analysis of other income is as follows:

	2020	2019
Interest income from loans receivable due from related parties (a)	**102,681**	–
Income from guarantee provided to a joint venture (b)	**36,735**	–
	139,416	–

(a) Interest income from loans receivable due from related parties of approximately RMB97,286 thousand for the year ended 31 December 2019 was recorded in finance income.

(b) Income from guarantee provided to a joint venture of approximately RMB7,968 thousand for the year ended 31 December 2019 was recorded in revenue.

An analysis of other losses — net is as follows:

	2020	2019
Impairment of investment in associates	**(268,735)**	(4,172)
Impairment of investment in joint ventures	**(12,581)**	(549,878)
Impairment of investment in property, plant and equipment	**–**	(504,021)
Net fair value loss on investment properties	**(189,033)**	(32,719)
Loss from disposal of financial assets at fair value through other comprehensive income	**(43,818)**	–
Adjustment of forfeiture of prepayments	**–**	(16,248)
Loss from disposal of an investment property	**–**	(4,837)
Penalties on idle land	**–**	(2,000)
Net gain on disposal of property, plant and equipment	**785**	249
Others	**28,940**	14,457
	(484,442)	(1,099,169)

7. INCOME TAX EXPENSE/(CREDIT)

An analysis of income tax is as follows:

	2020	2019
Current taxation		
— Mainland China income tax (a)	**13,657**	66,057
— Mainland China LAT (c)	**2,979**	(8,777)
	16,636	57,280
Deferred taxation		
— Mainland China income tax	**(39,692)**	7,585
— Mainland China LAT	**(513)**	(1,856)
— Mainland China withholding tax (d)	**(6,657)**	(17,757)
	(46,862)	(12,028)
Total tax (credit)/charge for the year	**(30,226)**	45,252

(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 RMB4 million as at 31 December 2020 (2019: approximately RMB52 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 (2019: 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, taxes and all property development expenditures.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1% to 2% (2019: 1% to 2%) on proceeds from the sale and pre-sale of properties. Prepaid LAT has been recorded in "prepaid income tax" with an amount of approximately RMB21 million as at 31 December 2020 (2019: approximately RMB16 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 2019 was due to the tax refund received by a certain project provision upon the final assessment of LAT.

(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. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

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

	2020	2019
Loss attributable to owners of the Company	**(918,778)**	(2,256,630)
Weighted average number of ordinary shares in issue (thousands)	**20,564,713**	20,564,713
Basic losses per share	**(0.04)**	(0.11)

(b) **Diluted**

Diluted losses 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 years ended 31 December 2020 and 2019, 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 per share is anti-dilutive.

9. DIVIDENDS PAID AND PROPOSED

The Board has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2020 (2019: Nil).

10. OTHER FINANCIAL ASSETS AT AMORTISED COST

Other financial assets at amortised cost include the following debt investments:

	2020	2019
Loans to related parties (a)	**1,563,649**	1,205,705
Loans to a disposed subsidiary (a)	**700,000**	700,000
Others	**14,380**	14,381
	2,278,029	1,920,086
Less: Loss allowances for debt investments at amortised cost (b)	**(814,800)**	(750,463)
	1,463,229	1,169,623

The movements in the provision for impairment of other financial assets at amortised cost are as follows:

	2020	2019
At beginning of year	**750,463**	161,190
Additions	**64,337**	589,273
At end of year	**814,800**	750,463

(a) The balance as at 31 December 2020 mainly represented the interest-bearing loans granted to related parties of approximately RMB1,564 million (2019: approximately RMB1,206 million) with a provision of approximately RMB101 million (2019: RMB36 million), and to a disposed subsidiary of approximately RMB700 million (2019: approximately RMB700 million) with a provision of approximately RMB700 million (2019: approximately RMB700 million), and to a third party of approximately RMB14 million (2019: RMB14 million) with a provision of approximately RMB14 million (2019: RMB14 million).

(b) The provisions were made as at 31 December 2020 and 2019 as the directors of the Company consider that the recoverability of certain receivables is uncertain.

11. TRADE RECEIVABLES

	2020	2019
Trade receivables	**64,800**	34,316
Less: Provision for impairment	**(22,743)**	(22,743)
	42,057	11,573

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

	2020	2019
Within 6 months	**33,786**	3,335
6 months to 1 year	**–**	–
1 to 2 years	**806**	8,238
Over 2 years	**30,208**	22,743
	64,800	34,316

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.

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

	2020	2019
At beginning of year	**22,743**	28,015
Reversals	**–**	(74)
Disposal of subsidiaries	**–**	(5,198)
At end of year	**22,743**	22,743

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:

	2020	2019
Within 1 year	**271,612**	278,514
1 to 2 years	**97,720**	85,845
Over 2 years	**76,556**	89,396
	445,888	453,755

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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Group:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter — Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2020 the Group's current liabilities included RMB1,511.3 million of borrowings, out of which RMB1,067.1 million were defaulted and became immediately repayable on demand triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding Company of the Group since 2018; and (2) the detention and arrest of two executive directors of the Company by the authorities in the People's Republic of China. The above events also resulted in the defaults of a joint venture's loan guaranteed by the Group, while the relevant lenders have the right to demand the Group to fulfill its guarantee obligation to repay the loan of RMB3,451.8 million of the joint venture. Such conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

THE BOARD'S RESPONSE TO THE OPINION OF THE INDEPENDENT AUDITOR

In the independent auditor's report contained in the Company's annual report for the year ended 31 December 2020, the independent auditor issued an opinion on the issues as set out in the paragraph headed "Material Uncertainty Related to Going Concern" in the independent auditor's report. The Board's considerations and responses to the aforesaid issues are as follows:

1. The operation of the Group is the most important consideration for the lenders to exercise their rights to demand immediate repayment

The Board considers that the Group has been relatively independent from its ultimate holding company China Minsheng Investment Corp., Ltd. ("**China Minsheng**") without significant transactions. In response to the measures imposed on Mr. Peng Xinkuang and Mr. Chen Donghui by the relevant PRC authorities, the Board proposed an ordinary resolution at the annual general meeting of the Company held on 29 June 2020 to remove each of Mr. Peng Xinkuang and Mr. Chen Donghui as an executive director of the Company, and such ordinary resolution was duly passed at the annual general meeting. Whether the lenders would demand the immediate repayment of the defaulted loans in accordance with the standard terms is mainly based on the judgment of the Group's operation, and the Group has been proactively communicating with the relevant lenders.

As of the date of this announcement, the Group has made normal repayment and renewal of various loans and the overall operating conditions remained stable. The directors are confident of convincing 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 has the ability to repay loans due

As at 31 December 2020, without taking into consideration of the borrowings re-classified as immediately repayable, the actual amount of the Group's current portion of long-term borrowings was RMB389 million. Among which, as of the date of this announcement, RMB33 million has been repaid, and RMB356 million is originally scheduled to be repaid within the rest of 2021. The deterioration of financial conditions of China Minsheng since 2018, and the arrest of Mr. Peng Xinkuang and the detention of Mr. Chen Donghui (each a former director of the Company) by the relevant PRC authorities in January and February 2020, constituted the occurrence of certain triggering events under the loan agreements resulting in defaults of certain loans of the Group and a joint venture's loan guaranteed by the Group. The Group has been proactively communicating with the relevant lenders, and the lenders have neither demanded the immediate repayment of the relevant loans, nor requested the Group to immediately fulfill its guarantee obligation to repay the loan on behalf of the joint venture. The Board is confident of convincing the lenders not to exercise such rights to request the joint venture or the Group for immediate repayment of the loans is prior to their scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

The Board considers that the Group's operations, including its pre-sale and receivables collection, remain normal. The interest payments and the repayments of relevant loans have been made in accordance with original repayment schedules. No demand for immediate repayment or fulfillment of guarantee obligation has been made by the relevant lenders. 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.

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. The Group also continued speeding up its divestments of its equity holding in certain joint ventures and associated companies, and the preparation and negotiations with certain counterparties in divestments of equity holding in certain joint ventures progressed well. The Board believes that the Group has sufficient financial resources to support the normal repayments of the relevant loans.

BUSINESS REVIEW

At the beginning of 2020, the sudden outbreak of COVID-19 caused a big impact on China's macroeconomy and the operation of the real estate market. Thanks to the timely implementation of supporting policies and the effective control of the pandemic, China has taken the lead in economic recovery, becoming the only major economy in the world to achieve positive economic growth. As the ballast of the economy, the real estate market saw an increase in size throughout the year. The sales area of commercial properties in China rose 2.6% year on year to 1.76 billion square metres in 2020 (data from China Index Academy). Both the supply and demand of residential land increased slightly across the country and the average land price per floor area went up, showing the strong resilience of China's real estate sector.

In the face of the severe external situation and the impact of the pandemic, the Group has gradually stabilised its operation since the beginning of this year with the idea of "reassuring people, focusing on operation, preventing and controlling pandemic and strengthening management". Strategically, it clarified a three-year development plan of becoming a regional developer of boutique residential properties. In terms of project operation, efforts were made to accelerate the payment collection and effectively control the quality of property development projects. The Group resumed operation of its properties in an orderly manner. The Company achieved the full-year sales target on key projects for sale in China. It strived to maintain the stable operation of the properties it owns amid the pandemic. In terms of investment, the Group actively kept project resources in reserve, approached multiple potential investment projects, and gained momentum for the subsequent project implementation. On the whole, the Group's cash flow remained solid and business activities were carried out in an orderly manner in 2020.

In 2020, the Group's major projects available for sale were Shanghai Masters Mansions, Jiaxing Project, Shanghai Albany Oasis Garden, 75 Howard in the USA, Phnom Penh Romduol City and the Atelier. In 2020, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB1.208 billion, with a total gross floor area of approximately 29,049m^2.

Project	Monetary Amount of Sales Contracts Signed *(RMB'000)*	Contractual Gross Area *(m²)*
Jiaxing Project	245,656	21,374
Shanghai Albany Oasis Garden	321,521	2,599
75 Howard in the USA	507,847	2,775
Shanghai Huating Project	29,283	306
The Atelier in the UK	59,625	457
Shanghai Masters Mansions	27,345	757
Others	16,807	781
Total	1,208,084	29,049

In 2020, the Group recorded net revenue of approximately RMB289 million (2019: RMB651 million). Gross loss for 2020 amounted to approximately RMB63 million (2019: gross profit RMB187 million).

Revenue	**2020**	2019
Revenue from contract with customers recognized at a point in time		
— Revenue from sale of properties	**114,268**	451,378
— Revenue from hospital service	**13,944**	18,918
	128,212	470,296
Revenue from contract with customers recognized over time		
— Revenue from property management	**28,288**	22,885
— Revenue from hospital service	**32,572**	34,728
— Revenue from construction of infrastructure for an intelligent network	**1,049**	1,837
	61,909	59,450
Revenue from property leasing	**94,888**	114,312
Other revenue	**6,001**	17,068
Less: Tax and surcharges	**(1,809)**	(9,791)
Total revenue	**289,201**	651,335

DEVELOPMENT PROJECTS

Our development projects mainly included Shanghai Lake Malaren Masters Mansions, Changsha Fudi Albany Project, Jiaxing Project, Dalian Oasis City Garden, 75 Howard Project in the USA and Phnom Penh Romduol City.

Property Development Business

Shanghai Lake Malaren Masters Mansions

In 2020, most of the issues left over from history were solved. The Group completed the split-off of its assets and separation of the projects under construction. It obtained the relevant production permit. The basement structure and the facade were optimised simultaneously. The construction officially commenced in early March 2021.

Phase II Jiaxing Project

Backfilling for the roof slab of the basement in the southern part of the project was completed. The pipelines for rainwater, sewage, gas, electricity and so forth in the northern part were paved. Houses are expected to be ready for delivery in 2021. The Group resumed sales of the project in March 2020 and overfulfilled the targets with regard to contract signing and payment collection.

Dalian Albany Oasis Garden

The Group made land consolidation, adjusted its planning and promoted earthwork optimisation and facade optimisation simultaneously.

Changsha Fudi Albany Project

The site plan for the project was approved, and the main body of the sales office was built in 2020.

75 Howard Project in the USA

The main structure of 75 Howard Project in the USA was topped out ahead of time. The drywall was completed. Interior decoration began. The project construction progressed smoothly. The project was available for sale in the USA in January 2020, and international marketing started at the same time. However, sales were affected by the pandemic to some extent.

Romduol City in Phnom Penh, Cambodia

The main structure of Block A of Phase I of the project was topped out last year. The project construction progressed smoothly. The pandemic caused a big impact on sales.

Requisitioning

Shanty Town Renovation Project in Zhangjiakou

In 2020, around 806 households signed contracts but the remaining 151 households did not, representing a signing rate of approximately 84.22%. Houses in the "North District + Road" land plot will be demolished, and the land plot will be put up for sale in 2021.

Qinhai Oasis Garden Project on Daxing Street, Shanghai

In 2020, around 95.63% of the households signed contracts on the requisitioning of their homes, with the relocation rate of 91.67%. Around 87.18% of the units signed contracts on requisitioning, and the relocation rate was 61.54%. Requisitioning continued with the payment of compensation.

Land Bank

As at 31 December 2020, the Group owned a land bank with a total gross floor area of approximately 1.60 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 advantages and is committed to discovering assets which are underestimated or with growth potential.

COMMERCIAL PROPERTY OPERATION

In 2020, under the tough market environment and the impact of the pandemic, the Group gradually resumed its operations in an orderly manner, continuously enhanced the management and operation of its self-owned commercial properties, utilised its brand advantages and management capabilities, adjusted the operation strategies when appropriate, and tightened the control on costs to improve operation benefits.

Shanghai Lake Malaren Golf Club

Shanghai Lake Malaren Golf Club, a high-ranking professional golf course in Northern Shanghai, has ranked ninth among the top 100 golf courses in Mainland China. Renovation is underway now. With expanded channels of revenue, its revenue and profit remained stable in 2020.

Shanghai Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, Oasis Central Ring Centre is designed as a complex eco-business cluster in the form of a circular commercial street connected with office buildings. The operation of Oasis Central Ring Centre resumed in an orderly manner in 2020 after the pandemic stabilised. Its revenue fell slightly from the previous year.

Shanghai Lake Malaren North European Exotic Street

The Lake Malaren North European Exotic Street was positioned as a new landmark integrating sports, art, culture, specialty food and market in Northern Shanghai. It was upgraded and transformed. The newly-added supporting facilities include an around-the-lake lane and night lights. The transformation was finished in the first half of 2020, after which it entered a period of investment attraction. Its operations have improved and the sales per unit area have increased significantly.

Shenyang Rich Gate

Shenyang Rich Gate Shopping Mall, relying on merchants specialising in children's education and supporting services, is devoted to deepening education and catering businesses. It aims to become an alliance of education and catering. Due to the severe impact of the pandemic, the project saw a year-on-year decline in both revenue and profit in 2020. The number of merchants that withdrew from the shopping mall due to poor operation increased. After the pandemic stabilised, the Group increased its support for merchants, and increased revenue and reduced expenditure, which achieved its profit target.

Exit from Investment after Making a Profit

Assets Package Project in Beijing, Shanghai and Shenzhen

The assets package project included assets in Beijing and Shenzhen at early 2020. The asset in Shenzhen was sold at a premium in the first quarter of 2020, with a premium rate of 13.49%. The Shenzhen project is located in Shekou Industrial Zone. As the aforementioned property has been demolished as part of the urban renewal unit planning of Shenzhen, a new house will be built at the original site. The Group owns the right to profit from the corresponding property and parking space. Some investment projects were excluded from the assets package in the second quarter of last year. The returned principals and earnings amounted to RMB330 million in the first half of 2020.

Shenyang Albany Project

The Shenyang Albany Project is located in Heping District in downtown Shenyang. The developed properties have a gross floor area of 338,000 m^2, and the permitted gross floor area of the properties to be developed is 216,000 m^2. In order to better achieve strategic focus, focus on existing assets and seek to fully realise the potential of funds, the Group transferred all the shares in the Shenyang Albany Project at a premium in 2019 after continuous negotiations with multiple interested parties. In 2020, The Group received RMB366 million of payment.

MAJOR TRANSACTIONS

1. On 22 May 2020, the Company announced that it intended to dispose (the "**Proposed Disposal**") of (i) its 51% equity interest in Shanghai Jinxin Real Estate Company Limited (上海金心置業有限公司) ("**Shanghai Jinxin**") at a minimum price of RMB1,818,640,193.22 and (ii) outstanding shareholders' and related loan owed by Shanghai Jinxin which amounted to RMB845,974,805.64 as at 31 March 2020, by way of a listing-for-sale process carried out through Shanghai United Assets and Equity Exchange (上海聯合產權交易所) ("**SUAEE**"). The publication period (being the period during which the Proposed Disposal was disclosed by way of an announcement published on SUAEE) commenced on 25 May 2020 and ended on 20 July 2020. Since no application had been received in respect of the Proposed Disposal up to 20 July 2020 and thus no qualified bidders were identified, the Proposed Disposal had not proceeded. Please refer to the Company's announcements dated 22 May 2020 and 21 July 2020 for further details.

2. On 4 October 2020, the Company announced that Shanghai Oasis Garden Real Estate Co., Ltd. (上海綠洲花園置業有限公司) ("**Shanghai Oasis**") (an indirect wholly-owned subsidiary of the Company) entered into or would enter into a series of agreements and confirmations letters for the purpose of concluding the disputes with Haikou Century Harbour City Real Estate Company Limited (海口世紀海港城置業有限公司), Haikou Luchuang Real Estate Company Limited (海口綠創置業有限公司), Hainan Guosheng Investment Co., Ltd. (海南國升投資有限公司), Huoerguosi Rui Hong Equity Investment Company Limited (霍爾果斯鋭鴻股權投資有限公司) and Wang Dongsheng (王東升) (collectively, the "**Debtors Group**") and assigning debts owed by the Debtors Group to Shanghai Oasis totalling approximately RMB451,693,900 to China Orient Asset Management Company Limited (Hainan Branch) (中國東方資產管理股份有限公司海南省分公司) for a consideration of RMB270,000,000. Further details are set out in the Company's announcement dated 4 October 2020 and circular dated 31 December 2020.

THE GROUP'S AWARDS

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

2. The Shanghai Lake Malaren Convention Centre was awarded the "Great Business Partner for Government" by the Luodian County Government of Baoshan District of Shanghai

BUSINESS OUTLOOK

Looking forward to 2021, there are still many factors of instability in the international environment, and the pandemic tends to become normal. Although the domestic economy is recovering steadily, it is still under great pressure. It is expected that the central government will take multiple measures to promote the domestic circulation and fully unleash the potential of domestic demand in the future. The government may accelerate the establishment of a long-acting management mechanism for real estate finance and strengthen the control over real estate finance. In terms of policies, with the release of the 14th Five-Year Plan and Vision for 2035, China is expected to maintain continuity of the regulatory policies for the real estate industry in the next five years. In the short term, restrictions on purchase, loan, sales, etc. are difficult to be loosened greatly. In addition, as mentioned in the 14th Five-Year Plan and Vision for 2035, China will "promote the healthy development of housing consumption". It will still support the reasonable housing consumption and implement the regulatory policies to optimise such consumption. On the whole, 2021 will be a year with both challenges and opportunities for the real estate sector.

The Group will focus on operating its business from three aspects in 2021. Specifically, it will first focus on projects under construction, with efforts to reduce costs and increase efficiency, improve operational efficiency, and accelerate the sales of existing properties. Secondly, it will focus on core regions and step up presence in the Yangtze River Delta region, especially Shanghai, Hangzhou and Nanjing. Thirdly, the talent strategy will be a priority. Professional skilled talents will be further added. The Company will further enhance its fine management at the same time to improve its overall operation capacity.

FINANCIAL REVIEW

Revenue and profit attributable to shareholders

In 2020, the Group recorded net revenue of approximately RMB289 million (2019: RMB651 million), which represents a decrease by approximately 56% compared to that of 2019. Loss attributable to owners of the Company in 2020 was approximately RMB919 million (2019: RMB2,257 million). Such loss was mainly attributable to the following: (1) the delivered area of properties sold by the Group decreased for the reporting year, resulting in a decrease in revenue and gross profit from property development; (2) the Group recorded unrealized revaluation losses on investment properties as a result of COVID-19 pandemic and the economic slowdown; and (3) the Group provided certain impairment losses for individual investments after a prudent evaluation on property investments in different market environments.

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2020, cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB382 million (2019: RMB522 million). Working capital (net current assets) of the Group as at 31 December 2020 amounted to approximately RMB398 million (2019: RMB1,254 million), representing a decrease of 68% as compared to the preceding year, and the current ratio was approximately 1.08x (2019: 1.27x).

As at 31 December 2020, the Group's total liabilities to total equity increased to 2.17x (2019: 1.82x). As at 31 December 2020, the Group's gearing ratio was approximately 48% (2019: 43%), 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 2020, the Group had 407 (2019: 419) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for 2020 amounted to approximately RMB102 million (2019: RMB133 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 2020, total bank and other borrowings of approximately RMB1,627 million (2019: RMB1,743 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 defaulting 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 RMB165 million and these contracts were still effective as at the close of business on 31 December 2020.

The Group also provided guarantee to the bank loan for a joint venture of the Group. As at 31 December 2020, such guarantee amounted to approximately RMB3,452 million (31 December 2019: approximately RMB3,414 million).

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$178 million as at 31 December 2020 (2019: US$34.95 million). Relevantly, the Group provided a deposit of US$24.92 million as at 31 December 2020 (31 December 2019: US$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

INFORMATION ON BUSINESS REVIEW

The Group is committed to supporting the environmental sustainability. Being an integrated real estate developer, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Group recognizes that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

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 2020.

CORPORATE GOVERNANCE PRACTICES

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2020, and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rule, except for the following deviations:

Code Provision A.2.1

Mr. Peng Xinkuang ("**Mr. Peng**"), a former director of the Company, served as both the chairman and the chief executive officer of the Group during the period from 18 July 2019 to 28 February 2020. As disclosed in the Company's announcement dated 28 February 2020, all administrative and executive duties and powers of Mr. Peng as an executive director of the Company had been suspended with effect from 28 February 2020. Mr. Peng was removed as an executive director of the Company by ordinary resolution of the shareholders of the Company on 29 June 2020. Since the said suspension of Mr. Peng's duties and powers on 28 February 2020, the roles of chairman and chief executive of the Company have been performed by different members of the Board.

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.

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 2020.

AUDIT COMMITTEE

The Audit Committee of the Company 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 audited annual results of the Group for the year ended 31 December 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement of the Company is published on the websites of the Company (http://www.equitynet.com.hk/sre) and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (http://www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and published on the above mentioned websites in accordance with the Listing Rules and applicable laws and regulations.

By Order of the Board
SRE Group Limited
Hong Zhihua
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Hong Zhihua, Mr. Kong Yong, Ms. Qin Wenying and Mr. Jiang Qi; two non-executive directors, namely Ms. Cheng Liang and Mr. Luo Guorong; and three independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai and Mr. Ma Lishan.

* *For identification purpose only*