SRE GROUP LIMITED
上 置 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**2021 (Unaudited)**	2020 (Audited)
Revenue	*3*	**779,581**	289,201
Cost of sales	*4*	**(555,799)**	(352,662)
Gross profit/(loss)		**223,782**	(63,461)
Gains from disposal of subsidiaries and interests in a joint venture — net		**–**	81,418
Net gains from reversal of impairment/(impairment losses) on financial assets	*4*	**14,326**	(278,148)
Other income	*5*	**127,610**	139,416
Other gains/(losses) — net	*5*	**94,461**	(484,442)
Selling and marketing expenses	*4*	**(23,747)**	(24,493)
Administrative expenses	*4*	**(182,495)**	(160,832)
Operating profit/(loss)		**253,937**	(790,542)
Finance income		**1,704**	8,059
Finance costs		**(267,365)**	(208,229)
Finance costs — net		**(265,661)**	(200,170)
Share of results of associates		**9,918**	81,114
Share of results of joint ventures		**30,047**	(57,067)
Profit/(loss) before income tax		**28,241**	(966,665)
Income tax expense	*6*	**(532)**	30,226
Profit/(loss) for the year		**27,709**	(936,439)

	Notes	2021 (Unaudited)	2020 (Audited)
Other comprehensive income/(losses), net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**41**	(77,786)
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax		**1,424**	–
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)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**29,174**	(1,014,617)
Profit/(loss) attributable to:			
Owners of the Company		**38,142**	(918,778)
Non-controlling interests		**(10,433)**	(17,661)
		27,709	(936,439)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**39,607**	(996,956)
Non-controlling interests		**(10,433)**	(17,661)
		29,174	(1,014,617)
Profit/(loss) per share attributable to owners of the Company	*7*		
— Basic		**RMB 0.002**	RMB(0.04)
— Diluted		**RMB 0.002**	RMB(0.04)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**31 December 2021 (Unaudited)**	31 December 2020 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**325,856**	178,259
Investment properties		**4,154,300**	4,112,500
Right-of-use assets		**260,652**	221,380
Investments in associates		**951,598**	983,778
Investments in joint ventures		**2,890,109**	2,619,175
Deferred tax assets		**252,391**	253,004
Financial assets at fair value through other comprehensive income		**39,955**	38,056
Other non-current assets		**85,074**	162,401
		8,959,935	8,568,553
Current assets			
Prepaid land lease payments		**732,226**	756,407
Properties held or under development for sale		**1,711,184**	1,031,028
Inventories		**1,041**	448
Trade receivables	*9*	**25,013**	42,057
Other receivables		**1,273,824**	1,857,011
Prepayments and other current assets		**27,705**	61,642
Prepaid income tax		**4,360**	25,369
Other financial assets at amortised cost		**1,214,271**	1,463,229
Cash and cash equivalents		**70,521**	379,654
Restricted cash		**37,364**	2,641
Assets classified as held for sale		**23,031**	–
		5,120,540	5,619,486
Total assets		**14,080,475**	14,188,039

	Notes	31 December 2021 (Unaudited)	31 December 2020 (Audited)
EQUITY AND LIABILITIES			
Equity			
Issued share capital and share premium		**6,747,788**	6,747,788
Other reserves		**179,101**	167,842
Accumulated losses		**(2,711,915)**	(2,732,024)
Equity attributable to owners of the Company		**4,214,974**	4,183,606
Non-controlling interests		**268,435**	287,287
Total equity		**4,483,409**	4,470,893
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**3,344,629**	3,064,658
Lease liabilities		**31,409**	32,599
Deferred tax liabilities		**1,580,800**	1,398,301
Other non-current liabilities		**286,687**	–
		5,243,525	4,495,558
Current liabilities			
Interest-bearing bank and other borrowings		**896,749**	1,511,281
Lease liabilities		**3,187**	5,682
Contract liabilities		**71,925**	546,270
Trade payables	*10*	**484,810**	445,888
Other payables and accruals		**2,010,092**	1,821,103
Current income tax liabilities		**886,778**	891,364
		4,353,541	5,221,588
Total liabilities		**9,597,066**	9,717,146
Total equity and liabilities		**14,080,475**	14,188,039

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 has been listed on the Stock Exchange since 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 2021, the Company's parent company is China Minsheng Jiaye Investment Co., Ltd. ("**China Minsheng Jiaye**"), which holds 61.44% (2020: 61.44%) of the Company's shares.

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

2. BASIS OF PREPARATION

The unaudited annual results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2021 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 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.

2.1 Going concern basis

As at 31 December 2021, the Group's current liabilities included RMB896.7 million of borrowings, out of which RMB864.9 million were defaulted and became immediately repayable on demand triggered by (1) the 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 RMB4.452 billion 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, to which the Company is a shareholder. As at 31 December 2021, however, the Group's cash and cash equivalents amounted to RMB70.5 million only.

As the accrued interest of RMB181.5 million of the aforementioned joint venture's loan has not been settled on 21 March 2022, the lender issued a demand letter on 22 March 2022 to the joint venture and the guarantors requesting that the joint venture and each of the guarantors shall fulfill their relevant payment or guarantee obligations to pay the accrued interest and the related overdue interest by 31 March 2022.

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 is in active discussion with the joint venture and the other shareholder of the joint venture with respect to the payment plan of the aforementioned overdue accrued interest of the loan of the joint venture guaranteed by the Group and also with the lenders in respect of the overdue accrued interest payment and the revision of the relevant payment terms. The directors are confident of convincing the lenders to give more time for the joint venture and the guarantors to settle the overdue interest and not to take further actions before that.

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 investment in certain property assets and its equity holding in certain joint ventures and associated companies. Considering the Group's investments in financial assets, joint ventures and associated companies 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 aforementioned 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 2021. They are of the opinion that, taking into account the aforementioned 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 2021. 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 communication with the lenders of the joint venture of the Group such that no further action will be taken by the lenders and sufficient time is granted to the joint venture and the guarantors to settle the overdue interest of the joint venture's loan;

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

(iv) successful and timely divestments of the Group's financial assets investments, investments in certain joint ventures and associated companies, investment of property assets, timely collection of proceeds from previous disposal transactions.

Should the Group be unable to achieve the aforementioned 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 unaudited consolidated financial statements.

2.2 Changes in Accounting Policies and Disclosures

(i) Amendments of HKFRSs adopted by the Group in 2021

The Group has adopted the following amendments of HKFRSs effective for the financial year ended 31 December 2021.

- Amendments to HKFRS 16 — COVID-19 Related Rent Concessions

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 — Interest Rate Benchmark Reform Phase 2

The adoption of the above amendments of HKFRSs does not have a material impact on the financial position and performance of the Group for the year ended 31 December 2021, 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:

	2021	2020
	(Unaudited)	(Audited)
Revenue from contract with customers recognized at a point in time		
— Revenue from sale of properties	**586,486**	114,268
— Revenue from hospital service	**10,411**	13,944
	596,897	128,212
Revenue from contract with customers recognized over time		
— Revenue from property management	**31,580**	28,288
— Revenue from hospital service	**24,405**	32,572
— Revenue from construction of infrastructure for an intelligent network	**1,214**	1,049
	57,199	61,909
Revenue from property leasing	**130,004**	94,888
Other revenue	**–**	6,001
Less: Tax and surcharges	**(4,519)**	(1,809)
Total revenue	**779,581**	289,201

4. EXPENSES BY NATURE

An analysis of expenses by nature is as follows:

	2021 (Unaudited)	2020 (Audited)
Cost of inventories sold (excluding depreciation, provision and reversal of impairment of properties held or under development for sale and prepaid land lease payments)	**498,665**	118,928
Depreciation of items of property, plant and equipment	**9,174**	7,741
Depreciation of items of right-of-use assets	**10,355**	10,311
Employee benefit expense (including directors' and chief executive officer's emoluments, excluding those capitalised in property under development)	**116,593**	95,327
Provision for impairment of properties held or under development for sale	**8,673**	52,222
Provision for impairment of prepaid land lease payments	**2,864**	142,696
Professional service fees	**29,887**	22,351
Agent and sale commission for sale of properties	**4,512**	17,180
Operating lease payments in respect of buildings	**5,498**	688
Auditors' remuneration (*)		
— Annual audit services	**3,200**	3,200
— Non-audit services	**139**	587
Advertising costs	**5,835**	3,483
Miscellaneous tax	**17,728**	12,765
Transportation fee	**2,001**	3,413
Office expenses	**2,992**	2,816
Water and electricity costs	**3,697**	3,286
Net impairment loss on financial assets		
— (Reversal of)/provision for impairment of other receivables	**(33,947)**	175,117
— Provision for impairment of trade receivables	**5,179**	–
— Provision for impairment of other financial assets at amortised cost	**14,599**	64,337
— Reversal of impairment of other non-current assets	**(157)**	(14)
— 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	**40,228**	24,722
	747,715	816,135

* Auditor's remuneration for 2021 included non-audit service fees of RMB139 thousand in respect for consulting services relating to the Company's environmental, social and governance report. Auditor's remuneration for 2020 included non-audit service fees of RMB448 thousand for services provided in relation to circulars issued by the Company in 2020 and RMB139 thousand in respect of consulting services relating to the Company's environmental, social and governance report.

5. OTHER INCOME AND OTHER GAINS/(LOSSES) — NET

An analysis of other income is as follows:

	2021 **(Unaudited)**	2020 (Audited)
Interest income from loans receivable due from related parties	**110,389**	102,681
Income from guarantee provided to a joint venture	**13,730**	36,735
Others	**3,491**	–
	127,610	139,416

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

	2021 **(Unaudited)**	2020 (Audited)
Impairment of investment in associates	**–**	(268,735)
Reversal of/(provision) for impairment of investment in joint ventures	**44,470**	(12,581)
Reversal of impairment of investment in property, plant and equipment	**20,165**	–
Net fair value loss on investment properties	**(147,200)**	(189,033)
Loss from disposal of financial assets at fair value through other comprehensive income	**–**	(43,818)
Net gain on disposal of receivables	**104,619**	–
Gain on revaluation of other financial liability at amortised cost	**58,483**	–
Accrual for the legal exposure	**(1,888)**	–
Gain on recovery fund from Mr. Peng Xinkuang	**12,639**	–
Net gain on disposal of property, plant and equipment	**78**	785
Others	**3,095**	28,940
	94,461	(484,442)

6. INCOME TAX EXPENSE

An analysis of income tax is as follows:

	2021 **(Unaudited)**	2020 (Audited)
Current taxation		
— Mainland China income tax	**11,885**	13,657
— Mainland China LAT	**25,501**	2,979
	37,386	16,636
Deferred taxation		
— Mainland China income tax	**(20,154)**	(39,692)
— Mainland China LAT	**(7,553)**	(513)
— Mainland China withholding tax	**(9,147)**	(6,657)
	(36,854)	(46,862)
Total tax credit for the year	**(532)**	(30,226)

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

(a) Basic

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

	2021 **(Unaudited)**	2020 (Audited)
Profit/(loss) attributable to owners of the Company	**38,142**	(918,778)
Weighted average number of ordinary shares in issue (thousands)	**20,564,713**	20,564,713
Basic profit/(losses) per share	**0.002**	(0.04)

(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 2021 and 2020, 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.

8. DIVIDENDS PAID AND PROPOSED

The Board has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2021 (2020: Nil).

9. TRADE RECEIVABLES

	2021 (Unaudited)	2020 (Audited)
Trade receivables	**52,935**	64,800
Less: Provision for impairment	**(27,922)**	(22,743)
	25,013	42,057

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

	2021 (Unaudited)	2020 (Audited)
Within 6 months	**20,937**	33,786
6 months to 1 year	**2,279**	–
1 to 2 years	**700**	806
Over 2 years	**29,019**	30,208
	52,935	64,800

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:

	2021	2020
	(Unaudited)	(Audited)
At beginning of year	**22,743**	22,743
Additions	**5,179**	–
At end of year	**27,922**	22,743

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:

	2021	2020
	(Unaudited)	(Audited)
Within 1 year	**218,592**	271,612
1 to 2 years	**83,621**	97,720
Over 2 years	**182,597**	76,556
	484,810	445,888

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 recent years, centring on the positioning of "houses should be for living in, not for speculation", the central government of the PRC has successively released policies in the fields of finance, land, and market regulation, while local governments have strictly regulated the aforementioned fields in accordance with the requirements of the relevant local long-term mechanism. China accelerated the establishment of a housing system that ensures supply through multiple sources, provides housing support through multiple channels, and encourages both home purchases and rentals, and maintained the continuity and stability of the policy of "promoting the coordinated development of real estate and the real economy", forcing real estate enterprises to change their development models. The real estate industry of the PRC is undergoing profound changes. Although it is challenging for the entire industry to return to the normal development level, there are still great opportunities for development based on demands in urban renewal, people's livelihood services and so forth. The Group will firmly implement the strategy of placing equal emphasis on real estate development, operation and service, and develop in tandem with cities and with customers, with a view to "maximise market value in the long run".

Facing the complicated market environment and the impact of the COVID-19 pandemic, the Group reviewed and sorted out existing projects, and made continuous efforts to inter alia "start construction and sales, improve operations, activate assets, and recover debts", which maintained the Company's stable operation and turned losses into profits. In terms of development and operation, the Group handled historical issues of some projects in China, such as the Shanghai Lake Malaren Mansions and Changsha Albany Oasis Project (as elaborated below), in 2021, marking the start of construction and sales with pre-sale permits. Jiaxing Project was successfully delivered, and revenue was realised within the year. As far as the properties held by the Group are concerned, the priorities in 2021 included positioning optimisation, business format adjustment, lease decision adjustment, introduction of high-quality merchants. With in-depth work completed, operations were improved, finally enabling an increase in the occupancy rate and rent collection rate of properties held by the Group. In terms of investment, efforts were made to actively build up project resources and to carry out liaison work for potential investment projects to gather momentum for the implementation of subsequent projects. On the whole, the Group's business activities were carried out in an orderly manner in 2021.

In 2021, the Group's major projects available for sale were 75 Howard in the USA, the Changsha Albany Oasis Project, Shanghai Albany Oasis Garden, Shanghai Lake Malaren Mansions and the Jiaxing Project. In 2021, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB736 million, with a total gross floor area of approximately 22,520m^2.

Project	Amount of Sales Contracts *(RMB'000)*	Contractual Gross Area *(m²)*
75 Howard in the USA	457,483	2,060
Changsha Albany Oasis Project	72,091	7,905
Shanghai Albany Oasis Garden	96,749	2,123
Shanghai Lake Malaren Mansions	44,832	1,092
Jiaxing Project	17,056	2,594
Others	47,495	6,746
Total	735,706	22,520

In 2021, the Group recorded net revenue of approximately RMB780 million (2020: RMB289 million). Gross profit for 2021 amounted to approximately RMB224 million (2020: gross loss RMB63 million).

REVENUE	**2021**	**2020**
Revenue from contract with customers recognized at a point in time		
— Revenue from sale of properties	**586,486**	114,268
— Revenue from hospital service	**10,411**	13,944
	596,897	128,212
Revenue from contract with customers recognized over time		
— Revenue from properties management	**31,580**	28,288
— Revenue from hospital services	**24,405**	32,572
— Revenue from construction of infrastructure for an intelligent network	**1,214**	1,049
	57,199	61,909
Revenue from property leasing	**130,004**	94,888
Other revenue	**–**	6,001
Less: Tax and surcharges	**(4,519)**	(1,809)
Total revenue	**779,581**	289,201

DEVELOPMENT PROJECTS

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

Property Development Business

Shanghai Lake Malaren Mansions

With a change in the construction permit, the construction of the project officially started in early March. The demonstration area officially opened in June 2021 following the completion of quality improvement. Considering project progress, the Group obtained the pre-sale permit in September 2021 and units are currently on sale.

Jiaxing Project

The civil construction of Lanwan Phase II of the project was completed, and the relevant acceptance conditions were met. Work arrangements including garden landscaping, tilestone pavement, installation of doors and windows, and paint coating were basically completed as planned. Upon completion, the project has been filed, and the delivery is underway, with the delivery rate of over 98%.

Dalian Albany Mansions

The Group completed the acquisition of minority shareholders' equity stake of the project company, after which they became wholly-owned subsidiaries of the Group. The general contractor and earthmoving firm entered the site to set up temporary facilities, and optimise temporary electricity and water supplies. It is expected that sales office will open in the second quarter of 2022.

Changsha Albany Oasis Project

Construction of the project commenced in 2021. The pre-sale permit for a batch of buildings was granted in September 2021, and the buildings were put up for sale at the sales office in October 2021. Some buildings in the first phase were topped out. The sales and construction work were progressing smoothly, and more buildings would be launched depending on market conditions.

75 Howard in the USA

The interior decoration of 75 Howard in the United States was completed, and a temporary residence permit was granted. The sales and delivery work proceeded simultaneously. In terms of project construction, the focus was placed on quality inspection. It is expected that the certificate of final completion will be obtained in the first half of 2022. In 2021, a breakthrough was made in local sales, but as the global pandemic has not yet stabilised, the Group plans to simultaneously launch international marketing and promotion to boost sales.

Romduol City in Phnom Penh, Cambodia

The main structure of Block A of Phase I of the project was topped out. The scaffolding was removed from the façade, and decoration started at the end of 2021. Sales were severely affected by the COVID-19 pandemic.

Requisitioning

Shanty Town Renovation Project in Zhangjiakou

Services regarding water and electricity supply, road and site leveling were available in the northern plot of the project in accordance with the local market conditions in Zhangjiakou, China. In 2021, a total of 837 households have signed contracts for the project expropriation, with a contracting rate of about 90%. Taking into account the local government's financial situation and the downturn in the real estate market, the sports events that took place in winter 2021 in the area failed to achieve a certain market effect.

Shanghai Daxing Street Project

In 2021, a syndicated loan for the project was issued, enabling requisitioning to proceed in an orderly manner. Around 97.82% of the households signed contracts on requisitioning, and the relocation rate was 95.63%. Around 94.87% of the enterprises signed contracts on requisitioning, and the relocation rate was 94.87%. Requisitioning continued with the payment of compensation. Meanwhile, the planning indexes for a plot were subject to adjustment. The Planning and Natural Resources Bureau of Huangpu District in Shanghai, China confirmed the planning and design conditions on 6 July 2021 that the aggregate planned gross floor area of the plot is approximately 120,400m^2, among which the gross floor area for business is not more than 118,800m^2 . Relevant details was made public in the "Partial Adjustment of Street Blocks 280A and 283A in the Regulatory Plan for Unit C010302, Yuyuan Community, Huangpu District, Shanghai (HP-50-II Block Protection Plan)" on 8 November 2021, which came to an end on 8 December 2021. The project was approved to be included into the plan of Shanghai in January 2022. So far, the overall adjustment and planning of the project has been fully completed, which will provide high-quality conditions for subsequent development and operation.

Land Bank

As at 31 December 2021, the Group owned a land bank with a total gross floor area of approximately 1.50 million m^2 in among other places Shanghai, Changsha, Jiaxing, Dalian, San Francisco and Phnom Penh. 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

Under stable operation, the Group continuously enhanced the management and operation of its self-owned commercial properties in 2021, and utilised its brand advantages and management capabilities to among other things optimise positioning, adjust business format, alter lease decisions, introduce high-quality merchants, etc. for some commercial properties, which improved operations.

Lake Malaren Golf Club Shanghai

Lake Malaren Golf Club Shanghai, a high-level professional golf course in Northern Shanghai, ranked ninth among the top 100 golf courses in Mainland China in 2021. Selling price adjustment was completed in 2021. After the acceptance check was finished, a lighted golf course was put into use. The Group upgraded the front desk self-checkout function and implemented the swing speed management system, achieving good results and improving member satisfaction. During 2021, the operating revenue and profit increased steadily compared with the corresponding period 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. In 2021, Oasis Central Ring Centre operated in an orderly manner, with a slight rise in revenue and profit. It intends to improve the overall business operation quality through further transformation and upgrading.

Shanghai Lake Malaren Exotic Street

Lake Malaren Exotic Street successfully introduced brands such as One Step Garden, McDonald’s, Starbucks, and Duzhe Bookstore in 2021 to create a new urban space around Lake Malaren, and carry out market activities to give play to brand effects. Revenue increased significantly compared with the corresponding period in 2020. Efforts will be stepped up on online promotion, offline activities and membership system to enhance operations. It will build the project into a “new landmark in Northern Shanghai that integrates sports, culture and art, specialty food and market”.

Shenyang Rich Gate

The COVID-19 pandemic and the adjustment of the education and training system in the PRC exerted a great influence on Shenyang Rich Gate in the early stage. The Group took the initiatives to remove problematic merchants from the project to improve the overall image. Currently, the project is being upgraded and a new round of commercial tenant invitation starts. The plan is to focus on the needs of the CBD. In terms of retail , it will introduce brands setting foot in business fashion and sports and leisure. As for catering, brands that serve fast food and business meals will be introduced. Relevant supporting facilities for children will be arranged based on existing resources. The project's revenue and profit in 2021 were basically flat from the same period in 2020. It is planned to reopen in 2022, and the operation quality will be greatly improved.

MAJOR TRANSACTIONS

1. On 4 August 2021, the Company announced that, Ningbo Meishan Bonded Port Area Jiayu Investment Co., Ltd.* (寧波梅山保稅港區嘉瑀投資有限公司) (an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Shanghai Huaji Financial Services Co., Ltd.* (上海華集財務服務有限公司) and Shanghai Henglongtai Investment Consultancy Co., Ltd.* (上海恒瓏泰投資諮詢有限公司) (collectively, the "**Sellers**") in respect of the acquisition of an aggregate of 39% equity interest in Dalian SRE Property Development Co., Ltd.* (大連上置房地產開發有限公司) ("**Dalian SRE**") at a consideration of RMB22,240,931.51. Upon completion of the acquisition, Dalian SRE has become a wholly-owned subsidiary of the Company. For further details, please refer to the announcement of the Company dated 4 August 2021.

2. On 15 December 2021, the Company announced that, Shanghai Wingo Infrastructure Co., Ltd. (上海永高建設有限公司) ("**Shanghai Wingo**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shanghai Baixiao Information Technology Co., Ltd.* (上海柏逍信息科技有限公司) ("**Shanghai Baixiao**"), to transfer 20% of the equity interest in Shanghai Telecom Broadband Networking Co., Ltd.* (上海電信住宅寬頻網絡有限公司) ("**Shanghai Telecom**") to Shanghai Baixiao at a consideration of RMB28,000,000. Upon completion of the disposal, the Group will cease to have any equity interest in Shanghai Telecom. For further details, please refer to the announcement of the Company dated 15 December 2021.

THE GROUP'S HONOURS

1. Shanghai Lake Malaren Town was included in the "List of Characteristic Towns of the National Development and Reform Commission" by the Shanghai Municipal Development and Reform Commission

2. Shanghai Lake Malaren Exotic Street was selected as "2021 New Consumption Landmark in Baoshan" by the Business Committee of Baoshan District

3. The Shanghai Lake Malaren Convention Centre was named the "Permanent Site of Bio-pharmaceutical Industry Forum in Northern Shanghai" by the Luodian County Government of Baoshan District of Shanghai

4. The Shanghai Lake Malaren Conference Center was awarded the "Advanced Unit of Hotel Industry Association of Baoshan District in 2021" by the Shanghai Baoshan District Hotel Industry Development Association

5. The Shanghai Lake Malaren Convention Centre was honoured as "2021-2022 Advanced Unit of Food Safety Regarding Catering Service in Baoshan District" by the Food and Beverage Health Management Association of Baoshan District, Shanghai and the Catering Chamber of Commerce of the Federation of Industry and Commerce in Baoshan

BUSINESS OUTLOOK

Looking back to 2021, there were still many unstable factors in the international environment, and the normalisation of the COVID-19 pandemic was an obvious trend. Although the Chinese economy was recovering steadily, it was still under great pressure. The regulation on real estate finance was continuously strengthened, and a series of control and restriction policies were released. The real estate industry is undergoing profound changes. Reality has given us responsibility. In the face of complex real estate situation and big pressure from economic downward, the Group insisted on growing in the sun, handled historical issues with the idea of reform, and planned the future of the Company from the perspective of development.

2022 is a very challenging year for the Group and the beginning of a new era. In terms of strategy, the Group will aim at "stable and long-term development". First, it will steadily operate the projects under construction and continuously develop them, improve operations, attach importance to customer satisfaction and corporate image, and ensure delivery. Second, close attention will be paid to the operation of the assets it holds. On the premise of the implementation of decisions about business format and lease, the Group will increase the leasable area by not less than 80% and the rent collection rate by not less than 90%. Efforts will be made to help build a good reputation for the brands introduced, and improve the image of the local government in the project location and make contributions to fiscal taxation. Thirdly, the Group will make use of the resources of its shareholders to pursue diversified development, actively explore the market in the Yangtze River Delta region, and establish a good cooperative relationship with the local governments, aiming to become a city operation service provider. In the meantime, the Company will further enhance its fine management, optimise the management structure and improve its overall operation capacity.

FINANCIAL REVIEW

Revenue and profit attributable to shareholders

In 2021, the Group recorded net revenue of approximately RMB780 million (2020: RMB289 million), which represents an increase by approximately 170% compared to that of 2020. Profit attributable to owners of the Company in 2021 was approximately RMB38 million (2020: loss of RMB919 million), and the turnaround from loss to profit was mainly due to: (1) an increase in revenue and gross profit from real estate development as a result of the increase in delivered area of properties sold by the Group during 2021; (2) the absence of no significant impairment charge on real estate investments in 2021 following the Group's prudent assessment of real estate investments under various market environments, compared to larger impairment losses on individual investments in 2020.

DIVIDEND

The Board has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2021 (2020: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2021, cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB108 million (2020: RMB382 million). Working capital (net current assets) of the Group as at 31 December 2021 amounted to approximately RMB767 million (2020: RMB398 million), representing an increase of 93% as compared to the preceding year, and the current ratio was approximately 1.18x (2020: 1.08x).

As at 31 December 2021, the Group's total liabilities to total equity decreased to 2.14x (2020: 2.17x). As at 31 December 2021, the Group's gearing ratio was approximately 48% (2020: 48%), 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 2021, the Group had a total of 407 (2020: 407) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for 2021 amounted to approximately RMB110 million (2020: RMB102 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 2021, total bank and other borrowings of approximately RMB1,525 million (2020: RMB1,627 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 on mortgage, 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 RMB148 million and these contracts were still effective as at the close of business on 31 December 2021.

The Group also provided guarantee to the bank loan taken out by a joint venture of the Group. As at 31 December 2021, such guarantee amounted to approximately RMB4.452 billion (31 December 2020: approximately RMB3.452 billion).

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$285 million at the end of 2021 (2020: US$178 million). Relevantly, the Group provided a deposit of US$13.35 million as at 31 December 2021 (31 December 2020: 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 2021.

CORPORATE GOVERNANCE PRACTICES

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2021, 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.

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 2021.

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 2021 has not been completed as of today. The unaudited results for the year ended 31 December 2021 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. It is projected that the audited annual results will be postponed to on or before 15 April 2022.

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 2021 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 Board would like to draw your attention to the fact that the information set out above is made by the Board only based on the unaudited management accounts of the Group for the year ended 31 December 2021 which is prepared in accordance with the IFRSs. The auditors of the Company have not reviewed or audited this unaudited financial information. Therefore, the unaudited financial information may be adjusted to meet the needs of the completion of the audit.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
SRE Group Limited
Hong Zhihua
Chairman

Hong Kong, 28 March 2022

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Hong Zhihua, Mr. Kong Yong, Mr. Xu Ming and Mr. Jiang Qi; two non-executive directors, namely Mr. Lu Jianhua 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*