*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# 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 2021

Reference is made to the announcement of SRE Group Limited (the "**Company**") dated 28 March 2022 in relation to the unaudited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (the "**2021 Unaudited Results Announcement**").

As stated in the 2021 Unaudited Results Announcement, 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 were not yet completed as at the date of the 2021 Unaudited Results Announcement and the annual results of the Group for the year ended 31 December 2021 contained therein were not yet agreed with the Company's auditor as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

### AUDITED ANNUAL RESULTS

The board of directors (the "**Board**") of the Company is pleased to announce that the audit process has been completed and the Company has obtained the agreement from the Company's auditor on the audited consolidated results of the Group for the year ended 31 December 2021 as follows:

## 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** | 2020 |
|---|---|---|---|
| Revenue | *4* | **779,581** | 289,201 |
| Cost of sales | *5* | **(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 | *5* | **14,326** | (278,148) |
| Other income | *6* | **127,610** | 139,416 |
| Other gains/(losses) — net | *6* | **94,461** | (484,442) |
| Selling and marketing expenses | *5* | **(23,747)** | (24,493) |
| Administrative expenses | *5* | **(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)/credit | *7* | **(532)** | 30,226 |
| **Profit/(loss) for the year** | | **27,709** | (936,439) |

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **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) |
| Earnings/(losses) per share attributable to owners of the Company | | | |
| — Basic | *8* | **RMB 0.002** | RMB(0.045) |
| — Diluted | | **RMB 0.002** | RMB(0.045) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

*(Amounts presented in thousands of Renminbi unless otherwise stated)*

| | *Notes* | **31 December 2021** | 31 December 2020 |
|---|---|---|---|
| **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 | *11* | **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 | *10* | **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** | 2020 |
|---|---|---|---|
| **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 | *12* | **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 is Level 11, Admiralty Tower 2, 18 Harcourt Road, Admiralty, Hong Kong.

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 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 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 RMB864.1 million were defaulted and became immediately repayable if requested by the lenders. The defaults of these borrowings were triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018; (2) the arrest of Mr. Peng Xinkuang, an executive director and the former chief executive officer and chairman of the board of director of the Company, and the detention of Mr. Chen Donghui, an executive director of the Company, by the relevant authorities in the PRC in January and February 2020. The above events also constituted the events of default of a joint venture's (the "**JV**") syndicated bank loan of RMB4,451.8 million guaranteed by the Group and resulted in the relevant lenders having the right to demand the Group to fulfill its guarantee obligation to repay the loan. As at 31 December 2021, however, the Group's cash and cash equivalents amounted to RMB70.5 million only.

In addition, on 24 December 2021, the above-mentioned syndicated bank loan of the JV has been extended for maturity to 26 December 2022 ("**Extension Agreement**"). Apart from the terms in the previous syndicated loan agreements, Extension Agreement explicitly stated two additional events of defaults, being the JV's failure to pay the interest due on 21 March 2022 and failure to meet the target progress of its project resettlement and land titles on 31 March 2022. Subsequently, the JV failed to pay the interest of RMB181.5 million due on 21 March 2022, and could not meet the target progress of the project resettlement due 31 March 2022. The relevant lenders issued a demand letter on 22 March 2022, requesting that the JV and each of the guarantors shall fulfill their relevant payment or guarantee obligations by 31 March 2022, failing which the lenders might recall the entire syndicated bank loan and take further legal actions. The JV and the guarantors, including the Group, have since then proposed settlement plans to and have been actively negotiating with the lenders. This matter constituted an events of default subsequent to 31 December 2021 and resulted in the lenders having the rights to demand the Group to fulfill its guarantee obligation immediately, and it further triggered the default of the additional RMB100 million borrowings of the Group with contractual repayment dates beyond 31 December 2022, becoming immediately repayable if requested by the banks or lenders.

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

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

1) Although no demand for immediate repayment has been made by the relevant lenders, the Group has been proactively communicating with the relevant lenders to explain the Group's business, operations, financial condition and cash position, and the Group will be able to arrange sufficient financial resources to support the repayments of the relevant loans under original repayment schedules. The directors are confident to convince the relevant lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

2) The Group has also been proactively communicating with the lenders of the syndicated bank loan of the JV, and as of the issuance date of the consolidated financial statements, the lenders have not demanded the JV for immediate repayment of the principals of the loan nor requested the Group to immediately fulfil its guarantee obligation to repay the principals of the loan on behalf of the JV. The Group is taking various actions to support the JV to arrange for the repayment of the overdue interests. The action plans have been proposed to the lenders and the directors are confident to convince the lenders to reach a settlement arrangement for the overdue interests, and not to exercise their rights to request the JV for immediate repayment of the syndicated bank loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

3) The Group identified and planned various actions mainly including (a) increase the efforts to presale or sell the Group's properties completed or under development; (b) divest its investments in certain joint ventures, properties, plant and equipment, and financial assets; (c) collect certain shareholder loans and receivables from a joint venture and other third parties and etc. The Group will speed up the above-mentioned actions and its collection of relevant proceeds. The directors are confident that the Group will be able to successfully and timely generate cash inflows for the Group from the above-mentioned actions.

The directors of the Company have reviewed the Group's cash flow forecast prepared by the management, which covers a period of at least 12 months from 31 December 2021. 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 2021, and to support the JV to repay the overdue interests. 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 loans;

(ii) successful and timely negotiation with the syndicated bank loan lenders of the JV to reach a settlement arrangement for the overdue interests, and no action will be taken by the lenders to exercise their contractual rights to demand immediate repayment of the principals of the loan or request the Group to fulfil its guarantee obligation;

(iii) successful and timely sales and presales activities, successful and timely divestments of the Group's investment in certain joint ventures, properties, plant and equipment, and financial assets at a reasonable price, timely collection of proceeds from these activities and transactions, as well as timely collection of shareholder loan and receivables from a joint venture and other third parties.

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) 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. 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:

| | 2021 | | | |
|---|---|---|---|---|
| | **Property development** | **Property leasing** | **Other operations** | **Total** |
| **Segment revenue** | | | | |
| Sales to external customers | **582,636** | **158,705** | **38,240** | **779,581** |
| Intersegment sales | **–** | **–** | **278** | **278** |
| | **582,636** | **158,705** | **38,518** | **779,859** |
| *Reconciliation:* | | | | |
| Elimination of intersegment sales | | | | **(278)** |
| Revenue | | | | **779,581** |
| **Segment profit/(loss)** | **262,401** | **(23,024)** | **14,560** | **253,937** |

| | 2021 | | | |
|---|---|---|---|---|
| | **Property development** | **Property leasing** | **Other operations** | **Total** |
| Finance income | | | | **1,704** |
| Finance costs | | | | **(267,365)** |
| Finance costs — net | | | | **(265,661)** |
| Share of results of associates | | | | **9,918** |
| Share of results of joint ventures | | | | **30,047** |
| **Profit before income tax** | | | | **28,241** |
| **Segment assets and liabilities** | | | | |
| Segment assets | **3,074,962** | **4,916,481** | **2,247,325** | **10,238,768** |
| Investments in associates | | | | **951,598** |
| Investments in joint ventures | | | | **2,890,109** |
| **Total assets** | | | | **14,080,475** |
| Segment liabilities | **3,775,075** | **2,781,432** | **3,040,559** | **9,597,066** |
| **Total liabilities** | **3,775,075** | **2,781,432** | **3,040,559** | **9,597,066** |
| **Other segment information:** | | | | |
| Depreciation and amortisation | **509** | **1,956** | **17,064** | **19,529** |
| Capital expenditure* | **29** | **364** | **433** | **826** |
| Net fair value loss on investment properties | **–** | **147,200** | **–** | **147,200** |
| Provision for impairment of properties held or under development for sale | **13,797** | **–** | **–** | **13,797** |
| Reversal of impairment of prepaid land lease payments | **(2,260)** | **–** | **–** | **(2,260)** |
| Reversal of provision for investments in property, plant and equipment | **–** | **–** | **(20,165)** | **(20,165)** |
| Net gains from reversal of impairment/ (impairment losses) on financial assets | **(50,172)** | **1,020** | **34,826** | **(14,326)** |
| Reversal of impairment of investment in joint ventures | | | | **(44,470)** |

* Capital expenditure consists of additions of property, plant and equipment RMB826 thousand.

| | 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).

**Geographical information**

(a) For the year ended 31 December 2021: 100% (2020: 100%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2021, more than 89% (2020: more than 89%) 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 2021 and 2020.

## 4. REVENUE

An analysis of revenue is as follows:

| | **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 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 |

### (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 Polices 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:

| | **2021** | 2020 |
|---|---|---|
| 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 | **13,797** | 52,222 |
| (Reversal of)/provision for impairment of prepaid land lease payments | **(2,260)** | 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.

## 6. OTHER INCOME AND OTHER GAINS/(LOSSES) — NET

An analysis of other income is as follows:

| | 2021 | 2020 |
|---|---|---|
| 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 | 2020 |
|---|---|---|
| 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 disposal of certain beneficial interests on a parcel of land | **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) |

## 7. INCOME TAX EXPENSE/(CREDIT)

An analysis of income tax is as follows:

| | **2021** | 2020 |
|---|---|---|
| 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 charge/(credit) for the year | **532** | (30,226) |

### (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 RMB3 million as at 31 December 2021 (2020: approximately RMB4 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 (2020: 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% (2020: 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 RMB1 million as at 31 December 2021 (2020: approximately RMB21 million). Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

### (d) Mainland China withholding tax

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

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

### (a) Basic

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

| | **2021** | 2020 |
|---|---|---|
| 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 earnings/(losses) per share | **0.002** | (0.045) |

### (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.

## 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 2021 (2020: Nil).

## 10. OTHER FINANCIAL ASSETS AT AMORTISED COST

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

| | 2021 | 2020 |
|---|---|---|
| Loans to related parties (a) | **1,248,876** | 1,563,649 |
| Loans to a disposed subsidiary (b) | **–** | 700,000 |
| Others (c) | **–** | 14,380 |
| | **1,248,876** | 2,278,029 |
| Less: loss allowances for debt investments at amortised cost (d) | **(34,605)** | (814,800) |
| | **1,214,271** | 1,463,229 |

(a) The balance as at 31 December 2021 mainly represented the interest-bearing loans granted to related parties of approximately RMB1,249 million (2020: RMB1,564 million) with a provision of approximately RMB34 million (2020: RMB101 million).

(b) The balance as at 31 December 2020 mainly represented the interest-bearing loans granted to a disposed subsidiary of approximately RMB700 million with a provision of approximately RMB700 million, which has been reclassified to other receivables in 2021 .

(c) The balance as at 31 December 2020 mainly represented the interest-bearing loans granted to a third party of approximately RMB14 million with a provision of approximately RMB14 million, which has been received in 2021.

(d) The provisions were made as at 31 December 2021 and 2020 as the directors of the Company consider that the recoverability of certain receivables is uncertain.

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

| | **2021** | 2020 |
|---|---|---|
| At beginning of year | **814,800** | 750,463 |
| Additions | **28,981** | 64,337 |
| Eliminate due to the acquisition of a subsidiary which is a former joint venture | **(94,794)** | – |
| Reversals | **(14,382)** | – |
| Reclass to impairment of other receivables | **(700,000)** | – |
| At end of year | **34,605** | 814,800 |

## 11. TRADE RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| 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** | 2020 |
|---|---|---|
| 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 |
|---|---|---|
| At beginning of year | **22,743** | 22,743 |
| Additions | **5,179** | – |
| At end of year | **27,922** | 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:

| | **2021** | 2020 |
|---|---|---|
| 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.

## 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 2021, 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 2021 the Group's current liabilities included RMB896.7 million of borrowings, out of which RMB864.1million were defaulted and became immediately repayable if requested by the lenders. The defaults of these borrowings were 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 constituted the defaults of a joint venture's syndicated bank loan amounting to RMB4,451.8 million guaranteed by the Group and resulted in the relevant lenders having the right to demand the Group to fulfill its guarantee obligation to repay the loan. As at 31 December 2021, however, the Group's cash and cash equivalents amounted to RMB70.5 million only. In addition, subsequent to 31 December 2021, the above-mentioned joint venture failed to repay the interest of RMB181.5 million of the syndicated bank loan, and the lenders formally demanded the joint venture and each of the guarantors, including the Group, to fulfill their relevant payment or guarantee obligations by 31 March 2022, failing which the lenders might recall the entire loan or take other legal actions. 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 2021, 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 between the Group and China Minsheng. 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. The Group is in active discussion with the lenders of the syndicated bank loan of the joint venture in respect of the overdue interest payment arrangement and with respect to no further actions before the payment of interest. 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's 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. The directors are also confident of convincing the lenders of the syndicated bank loan to reach a settlement arrangement for the overdue interests, and not to exercise their rights to request the joint venture for immediate repayment of the syndicated bank loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

**2. The Group has the ability to repay loans due and fulfill the guarantee obligation**

As at 31 December 2021, 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 RMB183 million. Among which, as of the date of this announcement, RMB46 million has been repaid, RMB56 million has been extended for maturity to 2023 and RMB81 million is originally scheduled to be repaid within the rest of 2022. 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. Subsequent to 31 December 2021, the above-mentioned joint venture failed to repay the interest of RMB181.5 million of the syndicated bank loan, and the lenders formally demanded the joint venture and each of the guarantors to fulfill their relevant payment or guarantee obligations by 31 March 2022.

The Group has been proactively communicating with the relevant lenders, and the lenders have not demanded the immediate repayment of the relevant loans. The Board is confident of convincing the lenders not to exercise such rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

The Group is also in active discussion with the lenders of the syndicated bank loan of the joint venture in respect of the overdue interest payment arrangement. The Board is confident to convince the lenders of the syndicated bank loan of the joint venture to reach a settlement arrangement for the overdue interests, and not to exercise their rights to request the joint venture for immediate repayment of the syndicated bank loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

The Board considers that the Group has identified and planned various actions mainly including increased efforts to presale or sell its properties completed or under development; acceleration of divestment from its investments in certain joint ventures, properties, plant and equipment, and financial assets; collection of certain shareholder loans and receivables from a joint venture and other third parties and etc. 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 Board believes that the Group has sufficient financial resources to support the normal repayments of the relevant loans.

**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 *($m^2$)* |
|---|---|---|
| 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).

## EVENTS AFTER THE REPORTING PERIOD

### a) A joint venture failed to repay the interest of RMB181.5 million due on 21 March 2022

Subsequent to 31 December 2021, a joint venture failed to repay the interest of RMB181.5 million of the syndicated bank loan which the Group provided the guarantee. See details and impacts described in Note 2.1.

**b) Impact of Coronavirus Disease 2019 (the "COVID-19 outbreak")**

Due to the new wave of outbreak of COVID-19 in Shanghai and certain other cities in PRC since March 2022, a series of precautionary and control measures have been and continued to be implemented in Shanghai and certain other cities. In light of the negative impact brought upon by the COVID-19 outbreak in the short term, it may lead to extension of rent free period of certain existing lease contracts, extension of construction progress of properties and thus affecting the rental income and sales of properties in the coming periods. The Group will pay close attention to the development of the COVID-19 outbreak and its impact on the leasing market and property values, and will continue to perform relevant assessments and take proactive measures.

## 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.

## 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 2021.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (https://www.sre.com.hk) 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 2021 will be dispatched to the shareholders of the Company and published on the websites of the Company and the Stock Exchange on or before 30 April 2022.

By Order of the Board
**SRE Group Limited**
**Hong Zhihua**
*Chairman*

Hong Kong, 26 April 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. Pan Pan; and three independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai and Mr. Ma Lishan.*

* *For identification purpose only*