SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

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

AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of SRE Group Limited (the "**Company**") dated 31 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**2019 Unaudited Results Announcement**").

As stated in the 2019 Unaudited Results Announcement, the annual results of the Group for the year ended 31 December 2019 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**").

The board of directors (the "**Board**") of the Company is pleased to announce that 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 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**2019**	2018
Revenue	*4*	**651,335**	1,551,309
Cost of sales	*5*	**(464,490)**	(1,077,340)
Gross profit		**186,845**	473,969
Gains from disposal of subsidiaries and interests in a joint venture – net	*6*	**157,336**	242,900
Net impairment losses on financial assets	*5*	**(1,066,013)**	(11,476)
Other (losses)/gains – net	*7*	**(1,099,169)**	176,113
Selling and marketing expenses	*5*	**(35,270)**	(45,085)
Administrative expenses	*5*	**(215,557)**	(241,587)
Operating (loss)/profit		**(2,071,828)**	594,834
Finance income		**130,127**	70,350
Finance costs		**(395,678)**	(547,406)
Finance costs – net		**(265,551)**	(477,056)
Share of results of associates		**106,722**	72,033
Share of results of joint ventures		**(5,233)**	17,672
(Loss)/profit before income tax		**(2,235,890)**	207,483
Income tax expense	*8*	**(45,252)**	(108,637)
(Loss)/profit for the year		**(2,281,142)**	98,846

	Notes	**2019**	2018
Other comprehensive (losses)/income, net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(8,403)**	(4,248)
Item recycled to profit or loss:			
Exchange differences previously recognised through other comprehensive income recycled to profit or loss and included in gains from disposal of subsidiaries		**1,917**	–
Fair value gains previously recognised through other comprehensive income recycled to profit or loss and included in other gains upon disposal of financial assets at fair value through other comprehensive income		**–**	(1,523)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(2,287,628)**	93,075
(Loss)/profit attributable to:			
Owners of the Company		**(2,256,630)**	113,530
Non-controlling interests		**(24,512)**	(14,684)
		(2,281,142)	98,846
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(2,260,404)**	107,759
Non-controlling interests		**(27,224)**	(14,684)
		(2,287,628)	93,075
(Losses)/earnings per share attributable to owners of the Company	*9*		
– Basic		**RMB (0.11)**	RMB0.01
– Diluted		**RMB (0.11)**	RMB0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

		31 December	
	Notes	**2019**	2018
ASSETS			
Non-current assets			
Property, plant and equipment		**185,628**	706,767
Investment properties		**4,270,400**	5,408,444
Prepaid land lease payments		**–**	197,500
Right-of-use assets		**230,705**	–
Goodwill		**16,271**	16,271
Investments in associates		**1,192,517**	1,105,416
Investments in joint ventures		**3,177,540**	3,825,696
Deferred tax assets		**243,869**	242,837
Financial assets at fair value through other comprehensive income		**150,657**	150,657
Other financial assets at amortised cost	*11*	**–**	574,426
Other non-current assets		**173,634**	171,474
		9,641,221	12,399,488
Current assets			
Prepaid land lease payments		**931,711**	1,808,404
Properties held or under development for sale		**996,677**	1,542,450
Inventories		**876**	848
Trade receivables	*12*	**11,573**	16,984
Other receivables		**2,103,803**	2,365,212
Prepayments and other current assets		**35,298**	341,216
Prepaid income tax		**68,302**	103,400
Other financial assets at amortised cost	*11*	**1,169,623**	1,611,011
Cash and cash equivalents		**518,956**	698,610
Restricted cash		**2,632**	2,623
		5,839,451	8,490,758
Total assets		**15,480,672**	20,890,246

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

NOTES:

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 of the other companies comprising the Group on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company began to list on the Stock Exchange on 10 December 1999. The principal place of business of the Company in Hong Kong was changed from Suite 1001, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong to Level 11, Admiralty Tower 2, 18 Harcourt Road, Admiralty, Hong Kong on 15 August 2019.

Currently, 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 2019, the Company's parent company is China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye"), which holds 61.41% (2018: 61.01%) 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 2019 but are extracted from those financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss 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 2019, the Group's current liabilities included RMB697.9 million of borrowings, out of which RMB200 million were defaulted and became immediately repayable on demand triggered by deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018. Subsequent to 31 December 2019, as publicly announced by the Company on 24 February 2020, the arrest of Mr. Peng Xinkuang, an executive director and the former chief executive officer and chairman of the board of directors of the Company, and the detention of Mr. Chen Donghui, an executive director of the Company, by the relevant authorities in the PRC constituted the occurrence of certain triggering events after 31 December 2019 under the relevant loan agreements resulting in defaults of the Group's certain loans and a joint venture's loan guaranteed by the Group. The above events resulted in a total of RMB1,183 million of the Group's borrowings becoming immediately repayable on demand as at the date of approval of these consolidated financial statements, of which RMB918.2 million were included in non-current borrowings and RMB264.8 million were included in current borrowings as at 31 December 2019, and also the relevant lenders have the rights to demand the Group to fulfill its guarantee obligation to repay the loan of RMB3,414 million of the joint venture. As at 31 December 2019, however, the Group's cash and cash equivalents amounted to RMB519 million only.

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

In view of such circumstance, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as 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 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 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 loan of the joint venture guaranteed by the Group, and the lenders have neither demanded the joint venture for immediate repayment of the loan nor requested the Group to immediately fulfill its guarantee obligation to repay the loan on behalf of the joint venture. The directors are confident to convince the lenders not to exercise such rights to request the joint venture for immediate repayment of the loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

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

4) The Group will continue to speed up its divestments of its equity holdings in certain joint ventures and associated companies. Subsequent to 31 December 2019, the negotiations with certain counterparties for these divestments are in progress as planned. Considering the Group's investments in 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 complete the above-mentioned divestments at reasonable sales considerations to generate cash inflows for the Group.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management, which covers a period of at least 12 months from 31 December 2019. 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 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

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

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

(iv) successful and timely divestments of the Group's equity holdings in certain joint ventures and associated companies at reasonable sales considerations and timely collection of the related considerations.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The Board has determined the operating segments based on the Group's products and services. The performance of each segment is evaluated based on its operating profit or loss before income tax and the methodology used for its calculation is same as that for the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

The segment information for 2019 has incorporated the impact of HKFRS 16 "Leases" which became effective on 1 January 2019 but as permitted by the new leasing standard, the comparative segment information for 2018 has not been restated.

An analysis by operating segment is as follows:

	2019			
	Property development	**Property leasing**	**Other operations**	**Total**
Segment revenue				
Sales to external customers	**443,270**	**113,909**	**94,156**	**651,335**
Intersegment sales	**–**	**–**	**53,716**	**53,716**
	443,270	**113,909**	**147,872**	**705,051**
Reconciliation:				
Elimination of intersegment sales				**(53,716)**
Revenue				**651,335**
Segment (loss)/profit	**(57,499)**	**4,417**	**(2,018,746)**	**(2,071,828)**
Finance income				**130,127**
Finance costs				**(395,678)**
Finance costs – net				**(265,551)**
Share of results of associates				**106,722**
Share of results of joint ventures				**(5,233)**
Loss before income tax				**(2,235,890)**

	2019			
	Property development	**Property leasing**	**Other operations**	**Total**
Segment assets and liabilities				
Segment assets	**3,307,828**	**3,265,876**	**4,536,911**	**11,110,615**
Investments in associates				**1,192,517**
Investments in joint ventures				**3,177,540**
Total assets				**15,480,672**
Segment liabilities	**4,471,166**	**1,199,605**	**4,324,391**	**9,995,162**
Total liabilities	**4,471,166**	**1,199,605**	**4,324,391**	**9,995,162**
Other segment information:				
Depreciation and amortisation	**591**	**301**	**31,572**	**32,464**
Capital expenditure*	**10**	**12,920**	**44,535**	**57,465**
Net fair value loss on investment properties	**–**	**32,719**	**–**	**32,719**
Reversal of impairment of properties held or under development for sale	**(6,887)**	**–**	**–**	**(6,887)**
Reversal of impairment of prepaid land lease payments	**(61,894)**	**–**	**–**	**(61,894)**
Reversal of impairment of trade receivables	**(74)**	**–**	**–**	**(74)**
Provision for/(reversal of) impairment of financial assets at amortised cost	**594,749**	**–**	**(5,476)**	**589,273**
Provision for impairment of other receivables	**79,708**	**–**	**397,103**	**476,811**
Provision for investments in property, plant and equipment	**753**	**36,579**	**466,689**	**504,021**
Provision for impairment of other non-current assets	**–**	**–**	**3**	**3**
Provision for impairment of investments in joint ventures				**549,878**
Provision for impairment of investments in associates				**4,172**

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

	2018			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	1,269,753	160,171	121,385	1,551,309
Intersegment sales	–	–	49,972	49,972
	1,269,753	160,171	171,357	1,601,281
Reconciliation:				
Elimination of intersegment sales				(49,972)
Revenue				1,551,309
Segment profit	366,603	143,154	85,077	594,834
Finance income				70,350
Finance costs				(547,406)
Finance costs – net				(477,056)
Share of results of associates				72,033
Share of results of joint ventures				17,672
Profit before income tax				207,483

	2018			
	Property development	Property leasing	Other operations	Total
Segment assets and liabilities				
Segment assets	5,361,440	4,856,819	5,740,875	15,959,134
Investments in associates				1,105,416
Investments in joint ventures				3,825,696
Total assets				20,890,246
Segment liabilities	5,199,620	2,149,162	5,723,213	13,071,995
Total liabilities	5,199,620	2,149,162	5,723,213	13,071,995
Other segment information:				
Depreciation and amortisation	1,316	305	28,893	30,514
Capital expenditure*	827	214	1,649	2,690
Net fair value gain on investment properties	–	(45,956)	–	(45,956)
Reversal of impairment of properties held or under development for sale	(69,813)	–	–	(69,813)
Reversal of impairment of prepaid land lease payments	(158,748)	–	–	(158,748)
Provision for impairment of trade receivables	172	–	–	172
Provision for impairment of other financial assets at amortised cost	–	–	4,365	4,365
Provision for impairment of other receivables	–	–	6,729	6,729
Provision for impairment of other non-current assets	–	–	210	210

* Capital expenditure consists of additions of property, plant and equipment (RMB2,505 thousand) and additions in cost of investment properties (RMB185 thousand).

Geographical information

(a) For the year ended 31 December 2019: 96.3% (2018: 95.7%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2019, more than 87% (2018: more than 83%) 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 2019 and 2018.

4. REVENUE

An analysis of revenue is as follows:

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

(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-addded 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:

	2019	2018
Cost of inventories sold (excluding depreciation, reversal of impairment of properties held or under development for sale and prepaid land lease payments)	**496,327**	1,263,259
Depreciation of items of property, plant and equipment	**19,488**	26,097
Depreciation of items of right-of-use assets	**12,891**	–
Employee benefit expense (including directors' and chief executive officer's emoluments, excluding those capitalised in property under development)	**130,927**	105,454
Reversal of impairment of properties held or under development for sale	**(6,887)**	(69,813)
Reversal of impairment of prepaid land lease payments	**(61,894)**	(158,748)
Professional service fees	**31,274**	67,035
Agent and sale commission for sale of properties	**18,153**	27,800
Operating lease payments in respect of buildings	**3,980**	15,500
Auditors' remuneration (*)		
– Annual audit services	**4,900**	4,900
– Non-audit services	**832**	–
Advertising costs	**8,464**	5,540
Miscellaneous tax	**15,790**	20,196
Transportation fee	**6,435**	9,538
Office expenses	**5,856**	8,223
Water and electricity costs	**4,284**	6,668
Provision for impairment of other receivables	**476,811**	6,729
(Reversal of) provision for impairment of trade receivables	**(74)**	172
Provision for impairment of other financial assets at amortised cost	**589,273**	4,365
Provision for impairment of other non-current assets	**3**	210
Others	**24,497**	32,363
	1,781,330	1,375,488

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

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

	2019	2018
Gains from disposal of subsidiaries – net (a)	**155,505**	239,618
Gains from disposal of interests in a joint venture	**1,831**	3,282
	157,336	242,900

(a) In May 2019, the Group disposed of its remaining 51.1% equity interest in Profit Concept Investments Limited ("Profit Concept"), together with its shareholder loans to Profit Concept. The agreed consideration was approximately RMB17 million for equity and approximately RMB257 million for the settlement of the shareholder loans. On the disposal date, the net asset value of Profit Concept attributable to the Group was approximately RMB19 million. The Group recorded a loss on the disposal of approximately RMB2 million.

In September 2019, the Group disposed all of its 97.5% equity interest in Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gaoxiao") and corresponding shareholder loans to Liaoning Gaoxiao. The total consideration is adjusted as approximately RMB1,312.07 million. On the disposal date, the net asset value of Liaoning Gaoxiao attributable to the Group was approximately RMB936.11 million and the shareholder loan was approximately RMB159.96 million. In addition, the Group is also to burden potential costs relating to the disposal of Liaoning Gaoxiao up to approximately RMB58.68 million. The Group recorded a gain on disposal of approximately RMB157.32 million.

In April 2018, a third party injected capital to Changsha Horoy Real Estate Co., Ltd. ("Changsha Horoy"), which was a subsidiary of the Group, and thus the Group's equity interest in Changsha Horoy was diluted from 66.5% to 49.5%. The Group lost control and Changsha Horoy became a joint venture of the Group after the transaction. On the disposal date, the net asset value of Changsha Horoy attributable to the Group was approximately RMB-13 million. After the dilution of 17% equity interest in Changsha Horoy, the 49.5% remaining interest held by the Group was remeasured at its fair value of approximately RMB226 million on the date when control was lost, and the difference with its then carrying amount was approximately RMB239 million. As such, the Group recorded a gain on disposal of approximately RMB239 million.

In June 2018, the Group disposed all of its 100% equity interest in SRE Capital Limited ("SRE Capital") for a consideration of approximately RMB0.57 million. On the disposal date, the net asset value of SRE Capital attributable to the Group was approximately RMB0.21 million. The Group recorded a gain on disposal of approximately RMB0.36 million.

In July 2018, the Group disposed of its 100% equity interest in Shanghai Xunbo Construction Co., Ltd. ("Xunbo Construction") for a consideration of approximately RMB0.75 million. On the disposal date, the net asset value of Xunbo Construction attributable to the Group was approximately RMB0.75 million. The Group recorded a loss on disposal of approximately RMB277.

7. OTHER (LOSSES)/GAINS – NET

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

	2019	2018
Impairment of investment in joint ventures	**(549,878)**	–
Impairment of investment in property, plant and equipment	**(504,021)**	–
Net fair value (loss)/gain on investment properties	**(32,719)**	45,956
(Adjustment of) forfeiture of prepayments	**(16,248)**	60,000
Loss from disposal of an investment property	**(4,837)**	–
Impairment of investment in associates	**(4,172)**	–
Penalties on idle land	**(2,000)**	(47,000)
Gains from disposal of financial assets at fair value through other comprehensive income	**–**	94,385
Gains from disposal of financial assets at fair value through profit or loss	**–**	8,228
Net gain on disposal of property, plant and equipment	**249**	61
Others	**14,457**	14,483
	(1,099,169)	176,113

8. INCOME TAX EXPENSE/(CREDIT)

An analysis of income tax is as follows:

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

(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 RMB52 million as at 31 December 2019 (2018: approximately RMB57 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 (2018: 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% (2018: 2% to 5%) on proceeds from the sale and pre-sale of properties. Prepaid LAT has been recorded in "prepaid income tax" with an amount of approximately RMB16 million as at 31 December 2019 (2018: approximately RMB46 million). Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition. The credit to the statement of profit or loss and other comprehensive income in 2019 was due to the tax refund received by a certain project provision upon the final assessment of LAT.

(d) Mainland China withholding tax

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

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

(a) Basic

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

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

(b) Diluted

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

For the years ended 31 December 2019 and 2018, as the average annual market share price of the Company's shares was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, the impact of exercise of the share options on (losses)/earnings per share is anti-dilutive.

10. DIVIDENDS PAID AND PROPOSED

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

11. OTHER FINANCIAL ASSETS AT AMORTISED COST

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

		2019			2018	
	Current	**Non-current**	**Total**	Current	Non-current	Total
Loans to related parties (a)	**1,205,705**	**–**	**1,205,705**	1,626,627	–	1,626,627
Loans to a disposed subsidiary (a)	**700,000**	**–**	**700,000**	–	700,000	700,000
Others	**14,381**	**–**	**14,381**	20,000	–	20,000
	1,920,086	**–**	**1,920,086**	1,646,627	700,000	2,346,627
Less: Loss allowances for debt investments at amortised cost (b)	**(750,463)**	**–**	**(750,463)**	(35,616)	(125,574)	(161,190)
	1,169,623	**–**	**1,169,623**	1,611,011	574,426	2,185,437

(a) The balance as at 31 December 2019 mainly represented the interest-bearing loans granted to related parties of approximately RMB1,206 million (2018: approximately RMB1,627 million) with a provision of approximately RMB36 million (2018: RMB16 million); and to a disposed subsidiary of approximately RMB700 million (2018: approximately RMB700 million) with a provision of approximately RMB700 million (2018: approximately RMB126 million), which had been reclassified to current assets since the loans would be due within one year; and to a third party of approximately RMB14 million (2018: RMB20 million) with a provision of approximately RMB14 million (2018: approximately RMB20 million).

(b) The provisions were made as at 31 December 2019 and 2018 as the directors of the Group consider the recoverability of certain receivables is uncertain.

12. TRADE RECEIVABLES

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

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

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

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

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

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

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

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

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

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

13. TRADE PAYABLES

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

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

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

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 2019, 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 Gong Concern

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2019 the Group's current liabilities included RMB697.9 million of borrowings, out of which RMB200 million were defaulted and became immediately repayable on demand triggered by deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018. Subsequent to 31 December 2019, the detention and arrest of two executive directors of the Company by the authorities in the People's Republic of China constituted the occurrence of certain triggering events under the loan agreements resulting in defaults of the Group's certain loans and a joint venture's loan guaranteed by the Group. The above events resulted in a total of RMB1,183 million of the Group's borrowings become immediately repayable on demand as at the date of this report, while the relevant lenders have the right to demand the Group to fulfill its guarantee obligation to repay the loan of RMB3,414 million of the joint venture. Such conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

In the Independent Auditor's Report of the Company's annual report for the year ended 31 December 2019, 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 lender to exercise its right to demand repayment***

   The Board considers that the Group has been relatively independent from its ultimate holding company China Minsheng Investment Corp., Ltd. (China Minsheng) without significant transactions. In response to the measures imposed on Mr. Peng Xinkuang by the Public Security Bureau (公安部門), on 19 January 2020, the Board has appointed Mr. Zhu Qiang, an executive director, as an acting chief executive officer of the Company to, perform the duties as the chief executive officer of the Company. On 28 February 2020, the Board has resolved to suspend all administrative and executive duties and powers of Mr. Peng Xinkuang and Mr. Chen Donghui in the Company as executive Directors until further notice, and also to appoint Mr. Lei Dechao as an executive Director and the chairman of the Board. Whether the lender demands the repayment of the Group 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 announcement, the Group has made normal repayment and renewal of various loans and the overall operating conditions remained stable. 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 the ability to repay loans due*

As at 31 December 2019, 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 RMB208 million. Among which, as of the date of announcement, RMB62 million has been repaid, RMB126 million is originally scheduled to be repaid within the rest of 2020, and the scheduled contractual repayment date the remaining RMB20 million had been extended to 2021. The deterioration of financial conditions of China Minsheng since 2018, and the detention and arrest of two executive directors of the Company by the authorities in the People's Republic of China subsequent to 31 December 2019, constituted the occurrence of certain triggering events under the loan agreements resulting in defaults of the Group's certain loans and a joint venture's loan guaranteed by the Group. The Group has also been proactively communicating with the lenders of the certain loans and the loan of the joint venture guaranteed by the Group, and the lenders have neither demanded the immediate repayment of the certain loans or the loan of the joint venture, nor requested the Group to immediately fulfill its guarantee obligation to repay the loan on behalf of the joint venture. The Board is confident to convince the lenders not to exercise such rights to request the joint venture or the Group for immediate repayment of the loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

The Board believes that the Group's operations, including its pre-sale and receivables collection, remain normal. The interest payments and the repayments of relevant loans have been made in accordance with original repayment schedules. No demand for immediate repayment or guarantee obligation has been made by the relevant lenders. The Group has been proactively communicating with the relevant lenders to explain that the Group's business, operations, financial condition and cash position remain normal and stable.

The Group is actively negotiating with several financial institutions for grant of new loans, offering a sufficient pledge of assets and at a reasonable cost. Certain financial institutions have indicated their intention to grant new loans to the Group. The Group also continued speeding up its divestments of its equity holding in certain joint ventures and associated companies, and the preparation and negotiations with certain counterparties in divestment of equity holding in certain joint venture progressed well. The Board believes that the Group has sufficient financial resources to support the normal repayments of the relevant loans.

BUSINESS REVIEW

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

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

In 2019, the Group's major projects available for sale were Beijing Chenfang Garden, Shanghai Masters Mansions, Jiaxing Project, Shanghai Albany Oasis Garden, Chengdu Albany Oasis Garden, Phnom Penh Romduol City and the Atelier. In 2019, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB2.809 billion, with a total gross floor area of approximately 102,855 m^2.

Project	**Monetary Amount of Sales Contracts Signed** *(RMB'000)*	**Contractual Gross Area** *(m^2)*
Beijing Chenfang Garden	1,122,262	36,483
Jiaxing Project	317,680	28,464
Shanghai Masters Mansions	738,687	27,465
Shanghai Albany Oasis Garden	505,425	4,744
Chengdu Albany Oasis Garden	15,160	983
The Atelier in the UK	48,488	117
Phnom Penh Romduol City	47,312	4,315
Others	13,553	284
Total	2,808,567	102,855

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

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

DEVELOPMENT PROJECTS

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

Progress of Relocation

Shanghai Rich Gate I (Qinhai Oasis Garden)

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

Changsha Fudi Albany Project

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

Shanty Town Renovation Project in Zhangjiakou

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

Progress of Construction

Chengdu Albany Oasis Garden

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

Jiaxing Project

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

Dalian Oasis City Garden

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

75 Howard Project in the USA

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

The Atelier in the UK

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

Phnom Penh Romduol City Project

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

Land Bank

As at 31 December 2019, the Group owned a land bank with a total gross floor area of approximately 1.83 million m^2 in Shanghai, Changsha, Jiaxing, Dalian, San Francisco and Phnom Penh etc. The Company stays abreast of industry development dynamics, explores its own resources and advantage and is committed to discovering assets which are underestimated or with growth potential.

COMMERCIAL PROPERTY OPERATION

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

Oasis Central Ring Centre

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

Shenyang Rich Gate Shopping Mall

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

Shanghai Lake Malaren Golf Course Project

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

EXIT FROM INVESTMENT AFTER MAKING A PROFIT

The UK Office Project

Two UK office buildings were acquired in 2016. After the acquisition, asset valuations were increased through financing, planning and demonstration and leasing optimization. In 2018, 48.9% equity of the project has been exited. During the first half of 2019, the entire exit from the remaining equity was smoothly implemented with a collection of funds of GBP30.90 million, and the Group obtained a reasonable return on investment.

Laogang Project

In 2017, the Group and Shanghai Evergrande jointly acquired the debenture of Laogang Logistics Real Estate asset package, which the Group contributed RMB45.05 million. After the acquisition, we continued to negotiate with the debtor to settle the payment plan and contact the buyer. In 2019, the creditor's rights were transferred at a premium, and the funds collected by us were RMB53 million. The financial real estate model was successfully implemented again.

Shenyang Albany Garden Project

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

MAJOR TRANSACTIONS

1. On 30 May 2019 (after trading hours), Sinopower Investment Limited (華通投資有限公司) (a direct wholly-owned subsidiary of the Company) entered into an agreement with, among others, Ronghe International Group Limited (榮和國際集團有限公司) (a connected person of the Company at the subsidiary level) and Well Win Holding Trading Limited (佳成控股貿易有限公司), pursuant to which Sinopower Investment Limited agreed to sell, and Ronghe International Group Limited and Well Win Holding Trading Limited agreed to purchase, an aggregate of 51.1% of the equity interest in and of the total outstanding shareholder loan due from Profit Concept Investments Limited (潤斯投資有限公司) for a total consideration of approximately GBP31.76 million. This disposal transaction was aggregated with another disposal transaction of the Company which took place in 2018 as a series of transactions pursuant to Rule 14.22 of the Listing Rules. Further details are set out in the Company's announcement dated 30 May 2019 and circular dated 12 July 2019.

2. On 11 June 2019 (after trading hours), Konmen Investment Limited (康明投資有限公司) (an indirect wholly-owned subsidiary of the Company), Shenyang Luyi Hotel Management Co., Ltd. (瀋陽綠怡酒店管理有限公司) (an indirect wholly-owned subsidiary of the Company) and Shanghai Ya Luo Enterprise Management Partnership (Limited Partnership) (上海亞羅企業管理合夥企業(有限合夥)) as sellers and Hong Kong Chong Dei Company Limited (香港創地有限公司) and Shenyang Ruiguang Trading Co., Ltd. (瀋陽瑞光貿易有限公司) as purchasers entered into a sale and purchase agreement, pursuant to which (i) the sellers agreed to sell and the purchasers agreed to purchase 100% equity interest in Liaoning Gao Xiao Support Group Property Development Co., Ltd. (遼寧高校後勤集團房地產開發有限公司) for an aggregate price of RMB1,152 million; and (ii) the purchasers agreed to pay to Konmen Investment Limited and Shenyang Luyi Hotel Management Co., Ltd. the total outstanding loan due from Liaoning Gao Xiao Support Group Property Development Co., Ltd. to the Group, which amounted to approximately RMB135.16 million as at 30 April 2019. The purchasers also agreed to pay the loan and the related interest owed by Liaoning Gao Xiao Support Group Property Development Co., Ltd. to China Minsheng Jiaye Investment Co., Ltd (a controlling shareholder of the Company), which amounted to approximately RMB269.79 million as at 30 April 2019. Further details are set out in the Company's announcement dated 11 June 2019 and circular dated 25 July 2019.

THE GROUP'S AWARDS

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

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

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

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

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

BUSINESS OUTLOOK

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

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

FINANCIAL REVIEW

Revenue and profit attributable to shareholders

In 2019, the Group recorded net revenue of approximately RMB651 million (2018: RMB1,551 million), which represents a decrease by approximately 58% compared with that of 2018. Loss attributable to owners of the Company in 2019 was approximately RMB2,257 million while profit attributable to owners of the Company in 2018 was approximately RMB114 million. Such loss is mainly attributable to the downward pressures on macro-economy on property business, the Group provided large impairment losses for some properties, investments and receivables after careful consideration.

Dividend

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

Financial Resources and Liquidity

As at 31 December 2019, cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB522 million (2018: RMB701 million). Working capital (net current assets) of the Group as at 31 December 2019 amounted to approximately RMB1,254 million (2018: RMB-345 million), representing an increase of 463% as compared with the preceding year, and the current ratio was approximately 1.27x (2018: 0.96x).

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

EMPLOYEES

As at 31 December 2019, the Group had 419 (2018: 482) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for the year 2019 amounted to approximately RMB133 million (2018: RMB82 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

Charges on Assets and Contingent Liabilities

As at 31 December 2019, total bank and other borrowings of approximately RMB1,743 million (2018: RMB3,504 million) were secured by pledge of the Group's assets including leasehold land, investment properties, property, plant and equipment, properties held or under development for sale, or by pledge of equity interests in certain subsidiaries or bank deposits.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB118 million and these contracts were still effective as at the close of business on 31 December 2019.

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

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of USD34.95 million as at 31 December 2019 (2018: Nil). Relevantly, the Group provided a deposit of USD24.92 million as at 31 December 2019 (31 December 2018: USD24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2019, and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules except for the following deviations:

Code Provision A.2.1

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

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

Code Provision A.2.7

Code provision of A.2.7 requires the Chairman of the Board to hold meetings at least annually with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Chairman of the Board is also an executive director, the Company has technically deviated from this code provision.

Code Provision A.6.7

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all directors of the Company and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

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 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (http://www.equitynet.com.hk/sre) and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http://www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2019 will be dispatched to the shareholders of the Company and published on the websites of the Company and the Stock Exchange on or before 15 May 2020.

On Behalf of the Board
SRE Group Limited
Lei Dechao
Chairman

Hong Kong, 14 May 2020

As at the date of this announcement, the Board comprises eight executive directors, namely Mr. Lei Dechao, Mr. Zhu Qiang, Ms. Qin Wenying, Mr. Jiang Qi, Ms. Jiang Chuming; Mr. Zong Shihua, Mr. Peng Xinkuang (suspended) and Mr. Chen Donghui (suspended); and four independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Ma Lishan and Mr. Han Gensheng.

* *For identification purpose only*