# 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 2022

References are made to the announcements of the Company (i) dated 29 March 2023 in relation to, among other things, the delay in publication of the annual results announcement for the year ended 31 December 2022 and suspension of trading in the shares of the Company; (ii) dated 3 April 2023 in relation to the suspension of trading in the shares of the Company; (iii) dated 28 April 2023 in relation to further delay in publication of audited 2022 annual results, further delay in despatch of the 2022 Annual Report, and continued suspension of trading in the shares of the Company; (iv) dated 25 May 2023 in relation to the Resumption Guidance; and (v) dated 30 June 2023 in relation to the quarterly update pursuant to the Resumption Guidance (collectively, the "**Announcements**"). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

The board of directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

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

| | *Notes* | **2022** | 2021 |
|---|---|---|---|
| Revenue | *4* | **275,916** | 779,581 |
| Cost of sales | *5* | **(144,925)** | (555,799) |
| **Gross profit** | | **130,991** | 223,782 |
| (Impairment losses)/net gains from reversal of impairment on financial assets and financial guarantee contract | *5* | **(242,910)** | 14,326 |
| Other income | *6* | **70,559** | 127,610 |
| Other (losses)/gains — net | *6* | **(27,574)** | 94,461 |
| Selling and marketing expenses | *5* | **(24,604)** | (23,747) |
| Administrative expenses | *5* | **(134,722)** | (182,495) |
| **Operating (loss)/profit** | | **(228,260)** | 253,937 |
| Finance income | | **434** | 1,704 |
| Finance costs | | **(217,130)** | (267,365) |
| Finance costs — net | | **(216,696)** | (265,661) |
| Share of results of associates | | **13,467** | 9,918 |
| Share of results of joint ventures | | **(77,425)** | 30,047 |
| **(Loss)/profit before income tax** | | **(508,914)** | 28,241 |
| Income tax credit/(expense) | *7* | **250,977** | (532) |
| **(Loss)/profit for the year** | | **(257,937)** | 27,709 |

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Other comprehensive income, net of tax** | | | |
| *Item that may be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange differences on translation of foreign operations | | **50,452** | 41 |
| Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax | | **–** | 1,424 |
| **TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR** | | **(207,485)** | 29,174 |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | | **(267,764)** | 38,142 |
| Non-controlling interests | | **9,827** | (10,433) |
| | | **(257,937)** | 27,709 |
| Total comprehensive (loss)/income attributable to: | | | |
| Owners of the Company | | **(217,312)** | 39,607 |
| Non-controlling interests | | **9,827** | (10,433) |
| | | **(207,485)** | 29,174 |
| (Losses)/earnings per share attributable to owners of the Company | | | |
| — Basic | *8* | **RMB(0.013)** | RMB0.002 |
| — Diluted | | **RMB(0.013)** | RMB0.002 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

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

| | | 31 December | |
|---|---|---|---|
| | *Notes* | **2022** | 2021 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **309,531** | 325,856 |
| Investment properties | | **4,075,400** | 4,154,300 |
| Right-of-use assets | | **254,118** | 260,652 |
| Investments in associates | | **965,065** | 951,598 |
| Investments in joint ventures | | **2,857,743** | 2,890,109 |
| Deferred tax assets | | **9,051** | 252,391 |
| Financial assets at fair value through other comprehensive income | | **39,955** | 39,955 |
| Other non-current assets | | **–** | 85,074 |
| | | **8,510,863** | 8,959,935 |
| **Current assets** | | | |
| Prepaid land lease payments | | **722,609** | 732,226 |
| Properties held or under development for sale | | **1,712,395** | 1,711,184 |
| Inventories | | **1,091** | 1,041 |
| Trade receivables | *11* | **44,713** | 25,013 |
| Other receivables | | **1,601,892** | 1,273,824 |
| Prepayments and other current assets | | **27,968** | 27,705 |
| Prepaid income tax | | **4,549** | 4,360 |
| Other financial assets at amortised cost | *10* | **1,180,358** | 1,214,271 |
| Cash and cash equivalents | | **100,699** | 70,521 |
| Restricted cash | | **4,380** | 37,364 |
| Assets classified as held for sale | | **19,091** | 23,031 |
| | | **5,419,745** | 5,120,540 |
| **Total assets** | | **13,930,608** | 14,080,475 |

| | Notes | 31 December **2022** | 2021 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued share capital and share premium | | **6,747,788** | 6,747,788 |
| Other reserves | | **235,224** | 179,101 |
| Accumulated losses | | **(2,985,350)** | (2,711,915) |
| Equity attributable to owners of the Company | | **3,997,662** | 4,214,974 |
| Non-controlling interests | | **278,262** | 268,435 |
| **Total equity** | | **4,275,924** | 4,483,409 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing bank and other borrowings | | **3,343,339** | 3,344,629 |
| Lease liabilities | | **28,916** | 31,409 |
| Deferred tax liabilities | | **1,339,621** | 1,580,800 |
| Other non-current liabilities | | **275,298** | 286,687 |
| | | **4,987,174** | 5,243,525 |
| **Current liabilities** | | | |
| Interest-bearing bank and other borrowings | | **1,109,278** | 896,749 |
| Lease liabilities | | **4,141** | 3,187 |
| Contract liabilities | | **133,640** | 71,925 |
| Trade payables | *12* | **457,307** | 484,810 |
| Other payables and accruals | | **2,151,819** | 2,010,092 |
| Provision for losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract | | **206,000** | – |
| Current income tax liabilities | | **605,325** | 886,778 |
| | | **4,667,510** | 4,353,541 |
| **Total liabilities** | | **9,654,684** | 9,597,066 |
| **Total equity and liabilities** | | **13,930,608** | 14,080,475 |

## 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. Effective from 16 September 2022, the Company changed its principal place of business from Level 11, Admiralty Center Tower II, 18 Harcourt Road, Admiralty, Hong Kong to Suite 2806A, 28/F Central Plaza, 18 Harbour Road, Wanchai, 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 2022, the Company's parent company was China Minsheng Jiaye Investment Co., Ltd. ("**China Minsheng Jiaye**"), which held 61.44% (2021: 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 2022 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 2022, the Group's current liabilities included RMB1,109.3 million of borrowings, out of which RMB1,085.4 million were defaulted and became immediately repayable if requested by the lenders. As at 31 December 2022, however, the Group's cash and cash equivalents was RMB100.7 million only.

The defaults of these borrowings were triggered by (1) the 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, a former 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, a former executive director of the Company, by the relevant authorities in the PRC in January and February 2020; and (3) the default of a joint venture (the "JV") syndicated bank loan guaranteed by the Group. In addition, the continuous default of the JV's syndicated bank loan resulted in the relevant lenders having the right to demand, and the relevant lenders have demanded, the Group to fulfill its guarantee obligation to repay the loan, including an outstanding principal of RMB4,451.8 million and related interests and bank fees of RMB279.8 million as at 31 December 2022, and the relevant lenders will also have the right to apply for court's forcible execution, including but not limited to dispose of the Group's equity interests in the JV which were pledged as collateral for the guarantee. Subsequently in August 2023, the relevant lenders of the JV applied for the court to enforce their above rights.

The default of the JV's syndicated bank loan was triggered by the matters described in above (1) and (2), as well as a series of events occurred in 2022 and subsequent to year ended 31 December 2022 as described below:

(1) The syndicated bank loan was extended for maturity to 26 December 2022 ("**Extension Agreement**") in December 2021. Apart from the terms in the original syndicated loan agreements, the Extension Agreement explicitly stipulated two additional events of defaults, being the JV's failure to pay the interest due on 21 March 2022 and the JV's failure to meet the target progress of its project resettlement and land titles on 31 March 2022. The JV failed to fulfil both conditions upon respective due dates, and as a result, the relevant lenders of the syndicated bank loan issued a demand letter to the JV and guarantors on 22 March 2022, requesting that the JV and 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 or take further legal actions. The JV borrowed an entrusted loan of RMB183.6 million from a third party (the "**TP**") on 20 May 2022, which was guaranteed by the Group and pledged with certain Group assets of approximately RMB59 million, and repaid the aforementioned overdue interests on 21 May 2022.

(2) The JV failed to repay the above-mentioned entrusted loan and its interests to the TP due on 30 August 2022. The TP filed a lawsuit on 13 September 2022 against the JV, the shareholders of the JV and the subsidiary of the Group owning the pledged assets for the overdue repayment, and further requested the court to freeze partial shareholders' equity interests in the JV (the "**Frozen JV Equity by the TP**") including approximately 7% of equity interests (approximately RMB114.9 million of carrying amount as at 31 December 2022) held by the Group (the "**TP Lawsuit**"). The JV was subsequently financed by the Group and repaid the entrusted loan principals and interests on 28 September 2022. The Frozen JV Equity by the TP was subsequently released in March 2023.

(3) On 22 September 2022, due to the JV's default under the terms of above Extension Agreement and the Frozen JV Equity by the TP, the relevant lenders of the syndicated bank loan issued a letter to the JV and the relevant guarantors (including the Group) and declared the immediate maturity of the syndicated bank loan principals of RMB4,451.8 million and related interests, and requested each of the guarantors to fulfill their relevant guarantee obligations immediately. On 9 October 2022, the relevant lenders requested the court to freeze the Group's entire 51% equity interests in the JV with a carrying amount of approximately RMB1,642.1 million as at 31 December 2022 (the "**Frozen JV Equity by the Banks**"), and certain subsidiaries' equity interests within the Group held by one of the guarantors (the "**Other Frozen Equity Interests of the Group**").

(4) On 1 November 2022, the relevant lenders filed a lawsuit against the JV and the subsidiaries of the Company (being the shareholders of the JV whose equity interests in the JV were pledged as collateral for the syndicated bank loan, one of which also provided guarantee for the JV's syndicated bank loan), demanding the JV to immediately repay the entire principals of the syndicated loan and related interests, other fees and relevant expenses totaling RMB4,591.6 million and the guarantors to fulfill guarantee obligations, and declared their rights for further actions (the "**Banks Lawsuit**"). The JV and its guarantors were not able to fulfill the relevant obligations until the date of the approval of the consolidated financial statements.

(5) Subsequently, the relevant lenders, the JV and the guarantors have negotiated and reached mutual agreements, on the basis of which the court issued a settlement judgement on 18 January 2023 (the "**Settlement Judgement**") under the conditions including mainly (a) the JV's payment of overdue interests of RMB166.9 million by 12 January 2023; (b) the JV's payment of legal costs of RMB11.5 million by 31 January 2023; (c) the JV's payment of accrued outstanding interests up to 20 June 2023 by 21 June 2023; (d) the release of the Frozen JV Equity by the TP by 21 June 2023; and (e) the JV's repayment of entire syndicated bank loan principals of RMB4,451.8 million and outstanding interests, as well as total outstanding bank fees of RMB145.1 million by 30 June 2023. In the event of failure of fulfilling each of the above obligations by the specified dates, the relevant lenders will have the rights to demand each of the guarantors to fulfill guarantee obligations immediately, and/or to request the enforcement of divestment of the Group's pledged 51% equity interests in the JV.

(6) The JV, further financed by the Group, fulfilled above conditions (a) and (b) under the Settlement Judgement on 11 January 2023 and 30 January 2023 respectively, and the "Frozen JV Equity by the TP" was released on 23 March 2023. However, the JV failed to pay the interest due on 21 June 2023 and the entire syndicated bank loan principals of RMB4,451.8 million and outstanding interests, as well as the outstanding bank fees due on 30 June 2023. The relevant lenders issued a letter on 25 June 2023, demanding the JV and the guarantors to fulfil their relevant payment or guarantee obligations pursuant to the Settlement Judgement, failing which the relevant lenders will have the rights to directly apply for court's forcible execution of the Settlement Judgement, including auction or sale of the assets under collateral, including the Group's 51% equity interests in the JV to fulfil the repayment obligations as specified in the Settlement Judgement.

(7) Based on the results of search conducted on the official website of the Supreme People's Court of the PRC, the JV and each of the Company's subsidiaries being the shareholders of the JV were listed as targets of a court enforcement order which was filed on 7 August 2023 with case number "(2023)Hu74Zhi-No.1509"("2023滬74執1509號") by Shanghai Financial Court, for an amount of enforcement action of RMB4,451.8 million. As at the date of approval of the consolidated financial statements, the Group has not yet received any formal notice from the Shanghai Financial Court or the relevant lenders. However, the Group reasonably believes that the court enforcement order relates to the Settlement Judgement, and the order enforces execution of the terms in the Settlement Judgement and demands each of the guarantors to fulfill guarantee obligations immediately, and/or the sale of the Group's 51% equity interests in the JV pledged as collateral (all together the "Enforcement of Settlement Judgement").

The above conditions indicate material multiple uncertainties exist that 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 the following plans and measures to mitigate the liquidity pressure arising from the default of the JV's syndicated bank loan:

(1) The Group initiated communication with the relevant lenders of the JV's syndicated bank loan on 29 June 2023 seeking the relevant lenders' support including but not limited to a further extension for the repayments of principals and overdue interests of the JV's syndicated bank loan, so that the JV and guarantors have more time to explore any other feasible means to arrange financing plans for the JV. The Group is also in negotiation with the other shareholder of the JV for the arrangement of providing additional shareholders' financing to the JV for interest repayments. For the Enforcement of Settlement Judgement, the Group will continue to communicate with the relevant lenders for its plans and measures from time to time, including but not limited to private placement of shares of the Company, restructuring of the syndicated bank loan, guidance from relevant government bodies and future development plan of the JV's project and so on, so that to persuade the relevant lenders to suspend or cease the Enforcement of Settlement Judgement and grant more time and extend the repayment date of the JV's syndicated bank loan. Neither the relevant lenders of JV's syndicated bank loan nor the other shareholder of the JV have responded to these communications. However, the directors believe the Group can convince the relevant lenders to suspend or cease the Enforcement of Settlement Judgement, and grant more time for the JV and the Group to arrange the fundings.

(2) The Group and its ultimate holding company has communicated with relevant government bodies to seek support for the JV's and the Group's various efforts in restructuring the syndicated bank loan, and to seek extension of the repayment to 31 December 2024. The Group has not received response to such communication yet.

(3) The Group has developed a plan to obtain additional fundings from a group of parties recommended by the shareholders of the Company's ultimate holding company by way of private placement of shares of the Company. Such funding will be used to finance the remaining resettlement costs and payment of land deed tax for the JV to obtain title of the land for its property development project.

(4) The Group is also helping the JV to negotiate with other financial institutions to develop certain suitable plans to obtain future financing to restructure the syndicated bank loan and further development of the project of the JV. The Group is currently discussing these plans with all relevant parties including but not limited to the other shareholder of the JV, the relevant lenders of the JV's syndicated bank loan, and participating financial institutions.

The Group has also formulated following plans and measures to mitigate the liquidity pressure arising from the other defaults and improve its cashflows:

(1) The Group has been proactively communicating with the other lenders of the Group 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 the contractual repayment schedules. The directors are confident to convince the other 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 been communicating with the Company's ultimate holding company and certain related parties to extend repayment of the certain borrowing which are repayable on demand. The directors are confident that the extension can be supported by these related parties.

(3) The Group has also planned various actions to improve its cash flows, which mainly include (a) speeding up the presale or sale the Group's properties completed or under development and collection of relevant proceeds; (b) sale of its investments in certain other joint ventures, development projects, and financial assets at a reasonable price; (c) collecting certain shareholder loans and receivables from a joint venture, etc. 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 2022. They are of the opinion that, taking into account the above-mentioned plans and measures, the existing lenders of the Group will not demand immediate repayment of the existing loans of the Group due to above defaults, and relevant lenders of the JV's syndicated bank loan will suspend or cease the Enforcement of Settlement Judgement and grant further extension of the loans, overdue interests and bank fees so that the Group will not be enforced to fulfil its guarantee obligation for the syndicated bank loan of the JV and 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 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material multiple 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) successfully persuading the relevant lenders of JV's syndicated bank loan to suspend or cease the Enforcement of Settlement Judgement and grant further necessary extension for repayment of overdue amounts under the syndicated bank loan, and agreement by the other shareholder of the JV to provide funds that are necessary for the JV's repayment of the interests of the syndicated bank loan;

(ii) successful in obtaining support from relevant government bodies for the extension and restructuring of the JV syndicated bank loan;

(iii) successful in obtaining support from the Company's shareholders and implementation of the plan for placement of new shares to certain intended investors of the Group to raise sufficient funds to finance the JV's remaining resettlement costs and payment of land deed tax to obtain title of the land for its property development project;

(iv) successful in agreement of an alternative financing plan for the JV by all relevant parties and in obtaining the fundings necessary for restructuring of the JV's syndicated bank loan and for future development of the project of the JV;

(v) 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 of the Group to exercise their contractual rights to demand immediate repayment of the relevant loans;

(vi) successful extension of certain short-term borrowings from ultimate holding company and its related parties;

(vii) successful speed-up and timely collection of proceeds from sales and presales activities, successful and timely sale of the Group's investment in certain other joint venture, development project, and financial assets at a reasonable price, as well as timely collection of shareholder loan and receivables from a joint venture.

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 2022*

The Group has adopted the following amendments of HKFRSs effective for the financial year ended 31 December 2022.

Amendments to HKFRS 16 — Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16 — Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRS 3 — Reference to the Conceptual Framework
Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRS Standards 2018-2020
Amendments to AG 5 Merger Accounting for Common Control Combinations

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 2022, 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), share of results of associates and joint ventures together with related impairment or losses, 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:

| | 2022 | | | |
|---|---|---|---|---|
| | **Property development** | **Property leasing** | **Other operations** | **Total** |
| **Segment revenue** | | | | |
| Sales to external customers | **89,785** | **140,823** | **45,308** | **275,916** |
| Intersegment sales | **–** | **–** | **2,663** | **2,663** |
| | **89,785** | **140,823** | **47,971** | **278,579** |
| *Reconciliation:* | | | | |
| Elimination of intersegment sales | | | | **(2,633)** |
| Revenue | | | | **275,916** |
| **Segment loss** | **(47,950)** | **(13,994)** | **(1,362)** | **(63,306)** |
| Finance income | | | | **434** |
| Finance costs | | | | **(217,130)** |
| Finance costs — net | | | | **(216,696)** |
| Share of results of associates | | | | **13,467** |
| Share of results of joint ventures | | | | **(77,425)** |
| Provision for losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract | | | | **(206,000)** |
| Reversal of impairment of investment in joint ventures | | | | **41,046** |
| **Loss before income tax** | | | | **(508,914)** |
| **Segment assets and liabilities** | | | | |
| Segment assets | **3,869,423** | **4,488,253** | **1,750,124** | **10,107,800** |
| Investments in associates | | | | **965,065** |
| Investments in joint ventures | | | | **2,857,743** |
| **Total assets** | | | | **13,930,608** |

| | 2022 | | | |
|---|---|---|---|---|
| | **Property development** | **Property leasing** | **Other operations** | **Total** |
| Segment liabilities | **4,402,506** | **2,756,178** | **2,496,000** | **9,654,684** |
| **Total liabilities** | **4,402,506** | **2,756,178** | **2,496,000** | **9,654,684** |
| **Other segment information:** | | | | |
| Depreciation and amortisation | **483** | **1,913** | **24,606** | **27,002** |
| Capital expenditure* | **4** | **74** | **349** | **427** |
| Net fair value loss on investment properties | **–** | **78,900** | **–** | **78,900** |
| Provision for impairment of properties held or under development for sale | **14,308** | **–** | **–** | **14,308** |
| Reversal of impairment of prepaid land lease payments | **(3,257)** | **–** | **–** | **(3,257)** |
| Impairment losses on financial assets | **–** | **6,442** | **30,468** | **36,910** |
| Provision for losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract | | | | **206,000** |
| Reversal of impairment of investment in joint ventures | | | | **(41,046)** |

* Capital expenditure consists of additions of property, plant and equipment RMB427 thousand.

| | 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)** | 217,931 | (23,024) | 14,560 | 209,467 |

| | 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 |
| Reversal of impairment of investment in joint ventures | | | | 44,470 |
| **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 impairment of 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.

**Geographical information**

(a) For the year ended 31 December 2022: 100% (2021: 100%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2022, more than 88% (2021: 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 2022 and 2021.

## 4. REVENUE

An analysis of revenue is as follows:

| | **2022** | 2021 |
|---|---|---|
| Revenue from contract with customers recognised at a point in time | | |
| — Revenue from sale of properties | **87,532** | 586,486 |
| — Revenue from hospital service | **10,650** | 10,411 |
| | **98,182** | 596,897 |
| Revenue from contract with customers recognised over time | | |
| — Revenue from property management | **29,304** | 31,580 |
| — Revenue from hospital service | **31,998** | 24,405 |
| — Revenue from construction of infrastructure for an intelligent network | **2,397** | 1,214 |
| | **63,699** | 57,199 |
| Revenue from property leasing | **115,530** | 130,004 |
| Less: Tax and surcharges (a) | **(1,495)** | (4,519) |
| Total revenue | **275,916** | 779,581 |

**(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:

| | **2022** | 2021 |
|---|---|---|
| Cost of inventories sold (excluding depreciation, provision and reversal of impairment of properties held or under development for sale and prepaid land lease payments) | **82,746** | 498,665 |
| Depreciation of items of property, plant and equipment | **16,653** | 9,174 |
| Depreciation of items of right-of-use assets | **10,349** | 10,355 |
| Employee benefit expense (including directors' and chief executive officer's emoluments, excluding those capitalised in property under development) | **126,717** | 116,593 |
| Provision for impairment of properties held or under development for sale | **14,308** | 13,797 |
| Reversal of impairment of prepaid land lease payments | **(3,257)** | (2,260) |
| Professional service fees | **11,854** | 29,887 |
| Agent and sale commission for sale of properties | **3,904** | 4,512 |
| Operating lease payments in respect of buildings | **4,977** | 5,498 |
| Auditors' remuneration (*) | | |
| — Annual audit services | **3,200** | 3,200 |
| — Non-audit services | **425** | 139 |
| Advertising costs | **4,480** | 5,835 |
| Miscellaneous tax | **11,912** | 17,728 |
| Transportation fee | **1,151** | 2,001 |
| Office expenses | **3,386** | 2,992 |
| Water and electricity costs | **3,629** | 3,697 |
| Net impairment loss on financial assets | | |
| — Provision for/(reversal of) impairment of other receivables | **31,787** | (33,947) |
| — Provision for impairment of trade receivables | **5,692** | 5,179 |
| — (Reversal of)/provision for impairment of other financial assets at amortised cost | **(527)** | 14,599 |
| — Reversal of impairment of other non-current assets | **(42)** | (157) |
| — Provision for losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract | **206,000** | – |
| Others | **7,817** | 40,228 |
| | **547,161** | 747,715 |

* Auditor's remuneration for 2022 included non-audit service fees of RMB425 thousand for services in relation to certain circular to be issued by the Company. Auditor's remuneration for 2021 included non-audit service fees of RMB139 thousand for services relating to the Company's environmental, social and governance report.

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

An analysis of other income is as follows:

| | **2022** | 2021 |
|---|---|---|
| Interest income from loans receivable due from related parties | **67,288** | 110,389 |
| Income from guarantee provided to a joint venture | **2,077** | 13,730 |
| Others | **1,194** | 3,491 |
| | **70,559** | 127,610 |

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

| | **2022** | 2021 |
|---|---|---|
| Reversal of impairment of investment in joint ventures | **41,046** | 44,470 |
| Reversal of impairment of property, plant and equipment | **–** | 20,165 |
| Net fair value loss on investment properties | **(78,900)** | (147,200) |
| Net gain on disposal of receivables | **–** | 104,619 |
| Gain on disposal of certain beneficial interests on a parcel of land | **11,389** | 58,483 |
| Gain from disposal of an associate | **3,576** | – |
| Accrual for the legal exposure | **(834)** | (1,888) |
| Accrual of estimated penalty in late delivery of properties or property titles | **(5,231)** | – |
| Gain on recovery fund from Mr. Peng Xinkuang | **–** | 12,639 |
| Net gain on disposal of property, plant and equipment | **169** | 78 |
| Others | **1,211** | 3,095 |
| | **(27,574)** | 94,461 |

## 7. INCOME TAX (CREDIT)/EXPENSE

An analysis of income tax is as follows:

| | **2022** | 2021 |
|---|---|---|
| Current taxation | | |
| — Mainland China income tax (a) | **(121)** | 11,885 |
| — Mainland China LAT (c) | **(10,180)** | 25,501 |
| | **(10,301)** | 37,386 |
| Deferred taxation | | |
| — Mainland China income tax | **(7,164)** | (20,154) |
| — Mainland China LAT | **–** | (7,553) |
| — Mainland China withholding tax (d) | **(233,512)** | (9,147) |
| | **(240,676)** | (36,854) |
| Total tax (credit)/charge for the year | **(250,977)** | 532 |

### (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 RMB1 million as at 31 December 2022 (2021: approximately RMB3 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 (2021: 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% (2021: 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 RMB3 million as at 31 December 2022 (2021: approximately RMB1 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.

As at 31 December 2022, the Company expected that no dividend would be declared to foreign investors from the foreign investment enterprises established in Mainland China in the foreseeable future and thus the Group reversed deferred tax liabilities related to above mentioned withholding taxes of approximately RMB234 million. The Board of Directors approved such reversal.

## 8. (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.

| | **2022** | 2021 |
|---|---|---|
| (Loss)/profit attributable to owners of the Company *(RMB'000)* | **(267,764)** | 38,142 |
| Weighted average number of ordinary shares in issue *(thousands)* | **20,564,713** | 20,564,713 |
| Basic (losses)/earnings per share *(RMB)* | **(0.013)** | 0.002 |

**(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 2022 and 2021, 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 2022 (2021: Nil).

## 10. OTHER FINANCIAL ASSETS AT AMORTISED COST

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

| | **2022** | 2021 |
|---|---|---|
| Loans to related parties (a) | **1,214,436** | 1,248,876 |
| Less: loss allowances for debt investments at amortised cost (b) | **(34,078)** | (34,605) |
| | **1,180,358** | 1,214,271 |

(a) The balance as at 31 December 2022 mainly represented the interest-bearing loans granted to related parties of approximately RMB1,214 million (2021: RMB1,249 million) with a provision of approximately RMB34 million (2021: RMB35 million).

(b) The provisions were made as at 31 December 2022 and 2021 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:

| | **2022** | 2021 |
|---|---|---|
| At beginning of year | **34,605** | 814,800 |
| Additions | **55** | 28,981 |
| Eliminate due to the acquisition of a subsidiary which is a former joint venture | **–** | (94,794) |
| Reversals | **(582)** | (14,382) |
| Reclass to impairment of other receivables | **–** | (700,000) |
| At end of year | **34,078** | 34,605 |

## 11. TRADE RECEIVABLES

| | **2022** | 2021 |
|---|---|---|
| Trade receivables | **78,327** | 52,935 |
| Less: provision for impairment | **(33,614)** | (27,922) |
| | **44,713** | 25,013 |

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

| | **2022** | 2021 |
|---|---|---|
| Within 6 months | **9,948** | 20,937 |
| 6 months to 1 year | **35,314** | 2,279 |
| 1 to 2 years | **4,258** | 700 |
| Over 2 years | **28,807** | 29,019 |
| | **78,327** | 52,935 |

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:

| | 2022 | 2021 |
|---|---|---|
| At beginning of year | **27,922** | 22,743 |
| Additions | **6,442** | 5,179 |
| Reversal | **(750)** | – |
| At end of year | **33,614** | 27,922 |

## 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:

| | 2022 | 2021 |
|---|---|---|
| Within 1 year | **231,891** | 218,592 |
| 1 to 2 years | **15,401** | 83,621 |
| Over 2 years | **210,015** | 182,597 |
| | **457,307** | 484,810 |

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:

### Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Disclaimer of Opinion

***Multiple Uncertainties Related to Going Concern***

As described in Note 2.1 to the consolidated financial statements, as at 31 December 2022, the Group's current liabilities included RMB1,109.3 million of borrowings, out of which RMB1,085.4 million were defaulted and became immediately repayable if requested by the lenders. As at 31 December 2022, however, the Group's cash and cash equivalents was RMB100.7 million only. 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 detention and arrest of two former executive directors of the Company by the authorities in the People's Republic of China; (3) the default of a joint venture (the "**JV**") syndicated bank loan guaranteed by the Group. In addition, the continuous default of the JV's syndicated loan resulted in the relevant lenders having the right to demand, and the relevant lenders have demanded, the Group to fulfill its guarantee obligation to repay the loan, including an outstanding principal of RMB4,451.8 million and related interest and bank fees of RMB279.8 million as at 31 December 2022, and the relevant lenders have the right to apply for court's forcible execution, including but not limited to dispose of the Group's equity interests in the JV which were pledged as collateral for the guarantee. Subsequently in August 2023, the relevant lenders applied for court to enforce their above rights.

These events or conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that material multiple uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been formulating a number of plans and measures to mitigate the liquidity pressure arising from the guarantee for the JV's defaulted syndicated bank loan, and the Group's other defaulted borrowings, to improve the financial position of the Group, and to remediate the delayed repayments to financial institutions, which are set out in Note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (i) successfully persuading the relevant lenders of the JV to suspend or cease the court enforcement of their rights against the JV and the Group, so that the Group does not need to immediately execute its guarantee obligation and forcible disposal of its 51% equity interests in the JV, and agreement by the other shareholder of the JV to provide funds that are necessary for the JV's repayment of the interests of the syndicated bank loan; (ii) successful in obtaining support from the relevant government bodies for the extension and restructuring of the JV's syndicated bank loan; (iii) successful in obtaining support from the Company's shareholders and implementation of the plan for private placement of the shares of the Company to obtain funds specifically for the JV to finance its remaining resettlement costs and payment for land deed tax in order to obtain certificate of the land for its property development project; (iv) successful in agreement of an alternative financing plan for the JV by all relevant parties and in obtaining the fundings necessary for restructuring of the JV's syndicated bank loan and for future development of the project of the JV; (v) maintenance of a continuing and normal business relationship with the Group's existing lenders such that no action will be taken by these lenders to exercise their contractual rights to demand immediate repayment of the relevant loans; (vi) successful negotiation with the Company's ultimate holding company and certain related parties of the Group for extension of certain borrowings due on demand; (vii) successful speed-up and timely collection of proceeds from sales and presales activities, successful and timely sale of the Group's investments in certain other joint venture, development project, and financial assets at a reasonable price, as well as timely collection of shareholder loan and receivables from a joint venture.

As a result of these multiple uncertainties, the potential interaction of these uncertainties, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

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 these consolidated financial statements.

***Additional matter — Provision for losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract***

As described in Note 23, Note 26 and Note 30 to the consolidated financial statements, as at 31 December 2022, the Group's equity investment in the JV was approximately RMB1,642.1 million, and the Group had other receivables due from the JV and other financial assets at amortised cost due from the JV of approximately RMB718.5 million and approximately RMB623.7 million, respectively. Due to the default of the JV's syndicated bank loan and the related uncertainties as described in Note 2.1 and Note 40 to the consolidated financial statements, the Group may incur losses in relation to the guarantee provided for the JV's syndicated bank loan, the Group's other receivables and other financial assets at amortised costs due from the JV, and its equity investment in the JV (collectively referred as "**losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract**").

As described in Note 40 to the consolidated financial statements, when the Group measured the losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract, multiple scenarios were considered to estimate the amount of the losses based on several key assumptions, including the probability of successful extension of JV's syndicated bank loan, the value of equity interests in the JV and the property held by the JV which were both pledged as collateral for the JV's syndicated bank loan, the probability of successful disposal of such assets, the estimated recoverable amount from the disposal, and the estimated final settlement amount by foreclosing such assets under collateral in the event that the disposal fails. Based on these key assumptions, the Group made a provision of RMB206.0 million for the estimated losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract as at 31 December 2022, with the same amount charged to profit and loss for the year ended 31 December 2022.

However, we consider the probability of successful extension of the JV's syndicated bank loan that the Group adopted in measuring the losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract did not appropriately reflect the fact that the relevant lenders of the JV's syndicated bank loan have applied to the court to enforce the execution of the financial guarantee contract and/or forcible disposal of the above mentioned assets under collateral, and was not appropriately supported by the legal analysis made by an external counsel engaged by the Group for the purpose of the assessment. Accordingly, we are of the view that the provision for losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract is materially understated.

In addition, there are material uncertainties related to the possible consequences arising from the default of the JV's syndicated bank loan guaranteed by the Group, we were unable to obtain sufficient appropriate audit evidence we considered necessary to assess the reasonableness of certain key assumptions impacting the estimated losses calculation, including the probabilities of successful extension of JV's syndicated bank loan and disposal of the assets under collateral, as well as the estimated disposal price, and the estimated final settlement amount by foreclosing the assets under collateral in the event that the disposal fails.

Given the probability assessment is not appropriately supported and there are other material uncertainties mentioned above, it is not practicable for us to quantify the misstatement or perform other alternative audit procedures to satisfy ourselves as to whether the Group's estimated losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract were subject to any further adjustments which might have a material consequential effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022, the consolidated statement of financial position as at 31 December 2022 and the related disclosures in the consolidated financial statements.

## BUSINESS REVIEW

In 2022, affected by the economic environment, the early-stage regulatory policies and the resurgence of the COVID-19 pandemic, the real estate industry saw a drastic downturn, with investment, construction, sales and commercial operations contracting across the board. The sales of commercial real estate in China fell sharply, with the total sales of the top 100 real estate developers dropping by more than 45% year on year. Investment in real estate development turned negative, and housing starts saw a larger drop. Commercial real estate was hit hard by the pandemic, which posed challenges to investment attraction and merchant management. The business environment changed rapidly and market recovery was slow and tortuous. In the meantime, the stabilisation of home transactions indicates that urban housing demand has not disappeared. This also reminds us to redouble our efforts to better respond to customer demands and drive a steady rebound in business.

During the Reporting Period, the Group focused on its principal businesses, refused to become a couch potato and actively operated businesses. On the basis of steadily dealing with liquidity problems and maintaining relatively stable operation, the Group sought coordinated development for all development businesses and improved the operational efficiency and competitiveness of its operating businesses. In terms of development and operation, a number of projects, such as Shanghai Lake Malaren World and Changsha Oasis Albany, were under construction and put on sale during the year, while bulk sales of Jiaxing Project were completed, with apartments sold out. From the perspective of properties, the core assets are concentrated in Shanghai and Shenyang, where strict containment measures were taken. The priorities in 2022 were given to operation stability, rent collection, and adjustment and improvement. On the whole, the Group's operations were carried out in an orderly manner.

In 2022, 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 2022, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB829 million, with a total contractual gross floor area of approximately 42,376 $m^2$.

| Project | Amount of Sales Contracts *(RMB'000)* | Contractual Gross Area *($m^2$)* |
|---|---|---|
| 75 Howard in the USA | 349,416 | 1,983 |
| Changsha Albany Oasis Project | 156,936 | 16,989 |
| Shanghai Albany Oasis Garden | 118,938 | 2,358 |
| Shanghai Lake Malaren Mansions | 112,765 | 3,768 |
| Jiaxing Project | 67,380 | 11,761 |
| Others | 23,128 | 5,517 |
| Total | 828,563 | 42,376 |

In 2022, the Group recorded net revenue of approximately RMB276 million (2021: RMB780 million). Gross profit for 2022 amounted to approximately RMB131 million (2021: gross profit of RMB224 million).

| **REVENUE** | **2022** | 2021 |
|---|---|---|
| Revenue from contract with customers recognised at a point in time | | |
| — Revenue from sale of properties | **87,532** | 586,486 |
| — Revenue from hospital service | **10,650** | 10,411 |
| | **98,182** | 596,897 |
| Revenue from contract with customers recognised over time | | |
| — Revenue from properties management | **29,304** | 31,580 |
| — Revenue from hospital services | **31,998** | 24,405 |
| — Revenue from construction of infrastructure for an intelligent network | **2,397** | 1,214 |
| | **63,699** | 57,199 |
| Revenue from property leasing | **115,530** | 130,004 |
| Less: Tax and surcharges | **(1,495)** | (4,519) |
| Total revenue | **275,916** | 779,581 |

## 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 World***

Due to the lockdown in Shanghai, construction and sales reception for the project were suspended in the first half of 2022. In-depth adjustments were made to the decoration scheme, intelligentisation scheme and so forth for the public area. As the outbreak in Shanghai improved in June, sales reception resumed. Construction recovered in September. The fourth quarter saw a breakthrough in sales with accumulation of customers.

***Jiaxing Project***

Jiaxing Project entered into a repurchase agreement on apartment blocks with the government in August. All houses of the project were sold out. Currently, it is in the final stage of project settlement.

***Dalian Albany Mansions***

Preparations were made for development for the project. Efforts were made to review drawings and complete the procedures concerning development, temporary water and electricity supply, urban pipe network and so forth. At the same time, the Group optimised and adjusted the products of the developed plots to ensure that the products match the market.

***Changsha Oasis Albany***

The Group actively pushed forward with sales and construction for the project in 2022. The main body of some buildings entered an acceptance stage, and the project progressed at a reasonable pace. In light of sales, despite market changes caused by COVID-19, sales were boosted via determination of school brands and revamp of products.

*75 Howard in the USA*

The interior decoration of 75 Howard was completed, and the certificate of final completion was issued. The sales and delivery work proceeded simultaneously. Due to the continuous interest rate hikes by the Federal Reserve in the second half of 2022, sales lacked momentum in the local market. Taking into account the project situation, the Group discussed with its partners on adjustments of price and sales strategy to drive sales.

*Romduol City in Phnom Penh, Cambodia*

The main structure of Building A of the project was constructed, and decoration and showroom construction got underway. As far as sales are concerned, due to the volatility of overseas markets, sales fell short of expectations. The Group planned to strengthen its team to develop customers in China, Japan and South Korea.

**Requisitioning**

*Shanghai Daxing Street Project*

On 7 January 2022, the Group received approval for the "Partial Adjustment of Street Blocks 280A and 283A in the Regulatory Plan for Units C010301 and C010302, Yuyuan Community, Huangpu District, Shanghai (HP-50-II Block Protection Plan)" from the Shanghai Municipal People's Government, which will provide better conditions for subsequent development and operation. Requisitioning proceeded in an orderly manner. As at 31 December, around 99.11% of the households signed contracts on requisitioning, and the relocation rate was 98.32%. 100% of the enterprises signed contracts on requisitioning, and the relocation rate was 95.35%. Requisitioning for the project drew to a close.

*Shanty Town Renovation Project in Zhangjiakou*

Taking into account the financial condition of the local government and the current sluggishness of the local real estate market, the Group carried out an audit on historical costs of the project, laying a good foundation for the subsequent investment in the project.

## Land Bank

As at 31 December 2022, the Group owned a land bank with a total gross floor area of approximately 1.46 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

With the pandemic under effective control, market demand gradually picked up, but some of the negative effects caused during the containment period gradually emerged. COVID-19 prevention and control has changed consumer behaviour and habits to a certain extent. In addition, restoration of offline consumption after cancellation of containment will not happen overnight. Based on the above, a specific policy was adopted for a shop in 2022 when it came to commercial property operation, so as to improve occupancy rate and rent collection rate. Besides, focus fell on the optimisation and adjustment of inactive merchants and businesses, and adjustment and improvement were made to increase sales per unit area. Subsequently, the Group mobilised resources in the region to attract consumers and quality merchants through the market rebound, in hope of enhancing commercial operations and achieving higher sales.

### *Lake Malaren Golf Club Shanghai*

Lake Malaren Golf Club Shanghai is a high-level professional golf course in Northern Shanghai. In 2022, tee time was altered to increase the number of rounds, and services like catering were offered to boost revenue, so as to minimise the impact of containment measures due to COVID-19 and promote steady operation of the golf course. It steadily operated to enhance the satisfaction of members and also received professional awards. In 2022, Lake Malaren Golf Club Shanghai was named one of the Top 10 Golf Courses in China in 2021-2022 by the authoritative domestic magazine Golf Magazine. It was honoured as one of the Top 10 Golf Courses among the Top 100 Golf Courses in China in 2021-2022 by Golf Digest. The Lake Malaren team won the championship in Group A of the 2021-2022 Shanghai Golf Clubs Social-Welfare Tour organised by Shanghai Golf Association and was the runner-up in Group B.

*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 2022, Oasis Central Ring Centre actively reduced the impact of the pandemic to ensure steady operation, and pushed forward with merchant adjustment, environmental renovation, property improvement and festival creation to achieve transformation and upgrade and further improve the quality of commercial operations.

*Shanghai Lake Malaren North European Exotic Street*

Shanghai Lake Malaren North European Exotic Street in Nordic architectural style is divided into four functional areas: quality life, exquisite time, gourmet food, and space for pleasure. It integrated services such as “dining”, “sports and leisure”, “pet interaction”, “lifestyle retail”, and “humanistic community”. In 2022, it actively introduced high-quality merchants, such as McDonald’s, Papa John’s and DQ, and sought to serve surrounding residents and weekend micro-vacation families, striving to create a lifestyle regarding micro-vacation, outdoor sports, and relaxation.

*Lake Malaren Obstetrics and Gynecology Hospital*

Lake Malaren Obstetrics and Gynecology Hospital is a specialist obstetrics and gynecology hospital that integrates medical treatment, education, prevention, healthcare and rehabilitation. It has a number of departments such as obstetrics and gynecology and neonatology, and is equipped with personalised labour rooms, 86 hospital wards and 63 postnatal recuperation rooms, truly realising a seamless connection between maternity medical treatment and postnatal rehabilitation and providing one-stop professional services for pregnant women during the perinatal period, from antenatal check-ups to delivery and postnatal rehabilitation.

*Shenyang Rich Gate*

Shenyang Rich Gate Shopping Mall on No. 118 Harbin Road, Shenhe District is located in the Shenyang Finance and Trade Development Zone. As a large-scale commercial project in the center of CBD, Shenyang Rich Gate serves the middle and high-end consumers, such as white-collar workers, businessmen and middle class. In 2022, the performance was improved. A number of key brands set foothold in the shopping mall, and special photography and e-commerce bases were expanded and opened, lifting its image. Meanwhile, it targeted inactive merchants and those in arrears and solved specific problems to increase sales per unit area.

## MAJOR TRANSACTIONS

On 26 August 2022, Changsha Horoy Real Estate Development Co., Ltd. ("**Changsha Horoy**"), a joint venture in which the Company indirectly holds 54.08% stake, entered into a loan agreement with Bank of Sanxiang Co., Ltd. ("**Bank of Sanxiang**"), pursuant to which Bank of Sanxiang agreed to lend Changsha Horoy RMB380,000,000 for a period of 35 months. Pursuant and subject to the terms and conditions set forth therein, and on 29 September 2022, SRE Industrial (Shanghai) Co., Ltd. and Ningbo Meishan Bonded Port Area Jiazhi Investment Co., Ltd., indirect subsidiaries of the Company, were requested to provide guarantee and equity pledge to the loan as part of the terms of the loan agreement.

## THE GROUP'S HONOURS

1. The Shanghai Lake Malaren Conference Center was awarded the "Advanced Unit of Hotel Industry Association of Baoshan District in 2022" by the Shanghai Baoshan District Hotel Industry Development Association

2. The Shanghai Lake Malaren Convention Centre was honoured as "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

3. Lake Malaren Golf Club Shanghai (Masters Course) was honored as one of the Top Ten Golf Courses in China in 2022 in the Selection of Top Ten Golf Courses in China

4. Lake Malaren Golf Club Shanghai (Masters Course) was honored as the 8th of Top 100 Golf Courses in China in the Selection of 2020-2021 Top 100 Golf Courses in China by Golf Digest

## BUSINESS OUTLOOK

Looking back to 2022, the COVID-19 pandemic resurged globally, and the Chinese economy faced weak demand, shrinking supply and weakening expectations. The real estate industry underwent profound changes, but the market demand for housing remained unchanged, and the trend for the sound operation and healthy development of the real estate industry stayed unchanged. In light of the gradually improved macro environment and favourable real estate policies, the Group will focus on boutique property development and urban renewal, new project management, and holding asset operation, and carry out work to ensure "cash flow stabilisation and risk mitigation".

Firstly, it will insist on prudent operation, strengthen cash flow management, optimise the debt structure, and create positive capital management to support project development.

Secondly, in terms of development business, delivery is one of the most important tasks in 2023, and great importance will be attached to the delivery of projects, in order to ensure delivery, safeguard people's livelihood and maintain stability. At the same time, continuous efforts will be made to increase sales, with close attention to be paid to payment collection to improve the overall operating cash flow. "City-specific and building-specific approaches" will be adopted to achieve the annual sales target.

Thirdly, in terms of asset operation, the Group, aiming to "improve quality and efficiency", will enhance the efficiency of asset operation and management, and seek "sustainable development of commercial operations". It will seize the opportunities to tackle key problems and improve the overall occupancy level as soon as possible. Higher quality and more influential merchants will be introduced through a series of adjustment and improvement. Meanwhile, the Group will strengthen efforts on rent collection to achieve its annual revenue target.

Last but not least, the Group, leveraging its advantage in traditional luxury property and experience in integrated urban development, will focus on opportunities in key regions, deepen urban renewal and other related businesses, and actively explore new areas and seek new development.

## FINANCIAL REVIEW

### Revenue and profit attributable to shareholders

In 2022, the Group recorded net revenue of approximately RMB276 million (2021: RMB780 million), which represents a decrease by approximately 65% compared to that of 2021. Loss attributable to owners of the Company in 2022 was approximately RMB268 million (2021: profit of RMB38 million), and the turnaround from profit to loss was mainly due to: (1) a decrease in revenue and gross profit from real estate development as a result of the decrease in delivered area of properties sold by the Group during 2022; (2) significant impairment charge on real estate investments and provision for losses due to the default to the JV's syndicated bank loan and execution of the financial guarantee contract in 2022 following the Group's assessment of real estate investments under various market environments, compared to no significant impairment charge on real estate investments and provision for losses due to the default to the JV's syndicated bank loan and execution of the financial guarantee contract in 2021.

## DIVIDEND

The Board has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2022 (2021: Nil).

## FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2022, cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB105 million (2021: RMB108 million). Working capital (net current assets) of the Group as at 31 December 2022 amounted to approximately RMB752 million (2021: RMB767 million), representing a decrease of 2% as compared to the preceding year, and the current ratio was approximately 1.16x (2021: 1.18x).

As at 31 December 2022, the Group's total liabilities to total equity increased to 2.26x (2021: 2.14x). As at 31 December 2022, the Group's gearing ratio was approximately 50% (2021: 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) One government office filed a legal claim

Subsequent to 31 December 2022, one government office filed a legal claim against the Group and one subsidiary in the People's Republic of China (the "**PRC**"), demanding the Group and the subsidiary to repay entire loan principal of RMB81 million and related interests, and requested the court to seize two pieces of land located in Dalian. As at the approval date of these consolidated financial statements, the claim is still in progress.

### b) A joint venture failed to repay the syndicated bank loan

Subsequent to 31 December 2022, a joint venture failed to pay the interest due on 21 June 2023 and the entire syndicated loan principals of RMB4,451.8 million and outstanding interests, as well as the outstanding bank fees due on 30 June 2023. The Group has provided full guarantee and pledged its equity interests in the JV to the loan. See details and impacts described in Note 2.1 to the consolidated financial statements on going concern basis.

### c) A new loan agreement

Subsequent to 31 December 2022, the Group entered into a loan agreement with a third party and obtained borrowing of US$87.5 million in June 2023, which is secured by the pledges of the Group's investment in a joint venture and the underlying properties of this joint venture. The Group then injected US$78.4 million as capital investment to the joint venture to repay the joint venture's borrowings in June 2023.

## EMPLOYEES

As at 31 December 2022, the Group had a total of 382 (2021: 407) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for 2022 amounted to approximately RMB127 million (2021: RMB110 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 2022, total bank and other borrowings of approximately RMB1,465 million (2021: RMB1,525 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 RMB98 million (2021: approximately RMB148 million) and these contracts were still effective as at the close of business on 31 December 2022.

The Group also provided guarantee to the syndicated bank loan for a joint venture of the Group. As at 31 December 2022, such guarantee amounted to approximately RMB4,451.8 million (2021: approximately RMB4,451.8 million) and the related interests and bank fees of RMB279.8 million (2021: approximately RMB215.7 million).

Meanwhile, the Group also provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$285.38 million as at 31 December 2022 (31 December 2021: US$285.38 million). The project of the joint venture was officially completed in 2022. There was no deposit (31 December 2021: US$13.35 million, equivalent to RMB85 million) provided as guarantor's letter of credit for the loan apart from the guarantee above. Subsequent to 31 December 2022, the joint venture has repaid the loans.

As at 31 December 2022, the Group provided a guarantee to another joint venture's bank borrowings of approximately RMB280 million (31 December 2021: Nil).

## 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 2022.

## CORPORATE GOVERNANCE PRACTICES

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2022, 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 save as disclosed below.

On 31 October 2022, Mr. Chan Charles Sheung Wai resigned as an independent non-executive Director due to other work arrangements. Upon the resignation of Mr. Chan Charles Sheung Wai, he also ceased to be the chairman of the Audit Committee and a member of the Remuneration Committee. As a result, the Company temporarily failed to comply with the requirements as set out in Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules. On 1 December 2022, Mr. Chui Man Lung, Everett was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee.

Following the appointment of Mr. Chui Man Lung, Everett, the Company was in compliance with the requirements of (i) Rule 3.10(1) of the Listing Rules that the Board must include at least three independent non-executive Directors; (ii) Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; (iii) Rule 3.10A of the Listing Rules that the number of independent non-executive Directors representing one-third of the Board; and (iv) Rule 3.21 of the Listing Rules that the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2).

## 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 2022.

## 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 2022.

## 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 2022 will be dispatched to the shareholders of the Company and published on the websites of the Company and the Stock Exchange in due course.

## CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 3 April 2023 and will continue to be suspended, pending the fulfilment of the Resumption Guidance and the grant of approval of the Stock Exchange for the resumption of trading of the shares.

**Shareholders of the Company and potential investors should exercise caution when dealing in the Company's shares.**

By Order of the Board
**SRE Group Limited**
**Qin Guohui**
*Chairman*

Hong Kong, 25 August 2023

*As at the date of this announcement, the Board comprises four executive directors, namely Mr. Qin Guohui, 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. Ma Lishan and Mr. Chui Man Lung, Everett.*

* *For identification purpose only*