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SRE GROUP LTD.

SRE GROUP LIMITED

上置集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1207)

INSIDE INFORMATION

- (1) MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE SUBSCRIPTION OF SHARES IN THE COMPANY;**
(2) POSSIBLE APPLICATION FOR WHITEWASH WAIVER AND
(3) RESUMPTION OF TRADING

The Board of the Company announces that on 12 September 2015, the Company, China Minsheng Jiaye and SREI entered into an MOU, under which China Minsheng Jiaye expressed an interest to, directly or indirectly through a wholly owned subsidiary, subscribe for Shares to be allotted and issued by the Company for subscription at HK\$0.10 per Share. It is intended that, to the extent the Possible Subscription materializes and is completed, the Subscriber will become the single largest shareholder of the Company holding more than 50% of the enlarged issued share capital immediately following the completion of the Possible Subscription.

It is the intention of the Subscriber to apply for the Whitewash Waiver. Completion of the Possible Subscription will be conditional upon, among other conditions, the Executive having granted the Whitewash Waiver, which, if granted, shall be subject to, among other things, approval by the independent shareholders of the Company. Pursuant to the MOU, the Company and China Minsheng Jiaye have agreed not to reserve the right to waive this condition.

Further announcement(s) in respect of the Possible Subscription will be made by the Company as and when appropriate in accordance with the Listing Rules and/or the Takeovers Code as applicable. The Company will comply with all the applicable laws and regulations and all the applicable provisions of the Listing Rules and the Takeovers Code in relation to the Possible Subscription.

* For identification only

As requested by the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 14 September 2015. An application has been made for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on 16 September 2015.

Shareholders and potential investors in the Company are urged to exercise caution when dealing in the securities of the Company. In particular, shareholders and potential investors in the Company are reminded that there is no assurance that the Possible Subscription or any other transaction mentioned in this announcement will materialize or eventually be consummated, and that the Possible Subscription will be subject to various conditions and the terms under the MOU are subject to change. The Board wishes to emphasize that no Formal Agreement in relation to the Possible Subscription has been entered into as of the date of this announcement and in particular, the Possible Subscription may be conditional upon, among other things, any necessary regulators' consents, approvals and/or waivers. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisors.

This announcement is made by SRE Group Limited (the “**Company**”) pursuant to Rule 3.2 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

MEMORANDUM OF UNDERSTANDING

The board (“**Board**”) of directors (“**Directors**”) of the Company announces that on 12 September 2015, the Company, China Minsheng Jiaye Investment Co., Ltd. (“**China Minsheng Jiaye**”) and SRE Investment Holding Limited (“**SREI**”) entered into a memorandum of understanding (“**MOU**”), under which China Minsheng Jiaye expressed an interest to, directly or indirectly through a wholly-owned subsidiary (together, the “**Subscriber**”), subscribe for shares in the Company (“**Shares**”) to be allotted and issued by the Company for subscription at HK\$0.10 per Share (the “**Possible Subscription**”). In addition to the Subscriber, it is possible that other investor(s) who are independent third parties to the Company may subscribe for additional Shares in the Possible Subscription. It is intended that, to the extent the Possible Subscription materializes and is completed, the Subscriber will become the single largest shareholder of the Company holding more than 50% of the enlarged issued share capital immediately following the completion of the Possible Subscription.

Pursuant to the MOU, each of the Company and SREI undertook that for a period of 45 days commencing from the date of the MOU (subject to extension by mutual consent of all parties) (the “**Exclusivity Period**”), China Minsheng Jiaye is entitled to conduct exclusive negotiation in respect of the Possible Subscription and neither the Company nor SREI may, without the prior written consent of China Minsheng Jiaye, conduct any negotiation with any other investor in relation to any transaction which may conflict with the Possible Subscription.

Concurrently with entering into the MOU, in view of the capital needs of the Company and its subsidiaries (the “**Group**”) in the near term, China Minsheng Jiaye intends to provide an interest-bearing short-term loan in the amount of RMB560 million (the “**Proposed Loan**”) to the Group, the repayment obligations of which may be secured by the corporate guarantee of the Company and/or corporate guarantee(s) and/or share charge(s) to be given by certain subsidiaries of the Company. If an Event of Default (as defined below) occurs, the Group shall repay the Proposed Loan (and accrued interest) to China Minsheng Jiaye in full within five days after the occurrence of the Event of Default. The terms of the Proposed Loan, corporate guarantee(s) and share charge(s) are still subject to negotiation and no binding agreement has been signed by the Group yet.

Save for such legally binding provisions as regarding the subscription price (provided that a definitive subscription agreement (the “**Formal Agreement**”) is entered into), exclusivity, confidentiality, costs and expenses, liquidated damages and the repayment of the Proposed Loan in the event of an Event of Default and governing law, the other terms of the MOU are non-legally binding on the parties to the MOU. Each party to the MOU has undertaken to endeavor to procure the completion of the due diligence process and the entering into of the Formal Agreement during the Exclusivity Period and, to the extent the Formal Agreement is entered into, make its best efforts to complete the Possible Subscription. Failure to perform such obligation and the exclusivity provision on the part of any party to the MOU (an “**Event of Default**”) will result in liability for liquidated damages in the amount of RMB200 million.

WHITEWASH WAIVER AND OTHER CONDITIONS

Under Rule 26 of the Takeovers Code, if the Subscriber acquires more than 30% of the voting rights of the Company under the Possible Subscription, the Subscriber will be obliged to make a mandatory offer for all the Shares other than those already owned or agreed to be acquired by the Subscriber and persons acting in concert with it unless a waiver for the mandatory offer obligation (the “**Whitewash Waiver**”) is granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the “**Executive**”) pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. It is the intention of China Minsheng Jiaye to apply for the Whitewash Waiver. Completion of the Possible Subscription will be conditional upon, among other conditions, the Executive having granted the Whitewash Waiver, which, if granted, shall be subject to, among other things, approval by the independent shareholders of the Company. Pursuant to the MOU, the Company and China Minsheng Jiaye have agreed not to reserve the right to waive this condition.

In addition to the above condition regarding the Whitewash Waiver, it is expected that the Formal Agreement, if one is entered into, will contain other conditions precedent as shall be agreed by the parties thereto, including, among other things, (i) announcement and shareholders’ approval requirements under the Listing Rules; (ii) specific mandate to be obtained from the shareholders of the Company at a general meeting of the Company as regards the issue of the new Shares contemplated under the Possible Subscription; and (iii) all necessary corporate approvals of the parties and any necessary regulatory consents, approvals and/or waivers, including the listing approval to be granted by the Stock Exchange.

INFORMATION ON CHINA MINSHENG JIAYE AND SREI

China Minsheng Jiaye is the real estate arm of China Minsheng Investment Corp., Ltd. (“**China Minsheng Investment**”). The investment scope of China Minsheng Jiaye includes high quality real properties in first-tier cities, investment and operation of multipliable assets, development of industrial parks, infrastructure and city construction, theme industry such as aged care and tourist industry, and other high criterion and high profitability investment opportunities. Based on the information provided by China Minsheng Jiaye, China Minsheng Jiaye is controlled by China Minsheng Investment, a large private investment company in Shanghai which was established and organized by The All-China Federation of Industry and Commerce in China and launched by 59 large scale private enterprises in China, some of which are among China’s top 500 companies. China Minsheng Investment is a conglomerate with a wide variety of businesses including equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, and investment consulting.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, China Minsheng Jiaye and its ultimate beneficial owner(s) are third parties independent of the Company, its subsidiaries and its connected persons (as defined in the Listing Rules).

The controlling shareholder of the Company, SREI, currently holds approximately 51.01% of the issued share capital of the Company. The principal activity of SREI is investment holding. As at the date of this announcement, based on the information available to the Company, the beneficial shareholders of SREI are Mr. Shi Jian (a director of the Company, holding 36% interest), Madam Si Xiao Dong (the spouse of Mr. Shi Jian, holding 30% interest), certain relatives of Mr. Shi Jian and/or Madam Si Xiao Dong (holding in aggregate 13% interest) and some other individuals (holding in aggregate 21% interest).

REASONS FOR CONSIDERING THE POSSIBLE SUBSCRIPTION

The Group is mainly engaged in real estate development, property leasing and hotel operations in Mainland China.

In view of China Minsheng Jiaye’s established operations in the real estate industry in China, the Company considers that the Possible Subscription will present opportunities to strengthen the Group’s principal business. In addition, it is expected that the proceeds from the Possible Subscription will enhance the Company’s capital structure and working capital.

LISTING RULES AND TAKEOVERS CODE COMPLIANCE

In the event that the Formal Agreement is signed and the Whitewash Waiver is to be applied for, an independent board committee will be established by the Board and an independent financial adviser will be appointed by the Company at appropriate time to advise the independent board committee, which will then make recommendation to the independent shareholders of the Company on the resolution(s) to approve the Possible Subscription and the Whitewash Waiver.

Further announcement(s) in respect of the Possible Subscription will be made by the Company as and when appropriate in accordance with the Listing Rules and/or the Takeovers Code as applicable. The Company will comply with all the applicable laws and regulations and all the applicable provisions of the Listing Rules and the Takeovers Code in relation to the Possible Subscription.

RESUMPTION OF TRADING

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GENERAL

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By order of the Board
SRE Group Limited
Wang Zi Xiong
Co-Chairman & Chief Executive Officer

Hong Kong, 15 September 2015

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Shi Jian, Mr. Wang Zi Xiong, Mr. Shi Janson Bing, Mr. Ma Dayu, Mr. Li Genfa and Mr. Shi Lizhou; two non-executive directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong and four independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Yang Chao and Mr. Guoping.

The directors of SRE Group Limited jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.