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SRE GROUP LIMITED

上置集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1207)

INSIDE INFORMATION

FINANCING TRANSACTIONS, FORMATION OF AN INVESTIGATION COMMITTEE AND INTERNAL CONTROL REVIEW AND SUSPENSION OF DUTIES OF MR. SHI JIAN

FINANCING TRANSACTIONS

During the Internal Checking, it was unraveled that certain Financing Transactions were executed by Mr. Shi, purportedly acting for and on behalf of certain members of the Group, between 2011 and 2014 with third party financial institutions without the knowledge of the other Directors of the Company at the relevant time.

Upon a review of the documents relating to the Financing Transactions and after consulting the legal advisers of the Company, the Board considers that the Financing Transactions are regarded as the provision of financial assistance to the Connected Persons. As the applicable percentage ratio in respect of the Financing Transactions exceeded 5%, they should have constituted non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules which were in force at the relevant time. In addition, as the Financing Transactions were not entered into in the Group's ordinary and usual course of business and the applicable percentage ratio in respect of the Financing Transactions exceeded 25%, they should have constituted at least major transactions (or very substantial acquisitions) for the Company under Chapter 14 of the Listing Rules. Accordingly, the Board considers that the Financing Transactions should be subject to announcement, circular and independent shareholders' approval requirements under the Listing Rules.

FORMATION OF THE INVESTIGATION COMMITTEE AND INTERNAL CONTROL REVIEW

The Board has established the Investigation Committee which consists of all the independent non-executive Directors as members to further investigate the Financing Transactions and to review the internal control system of the Group.

The Company also intends to engage an independent Internal Control Consultant to thoroughly review the internal control and corporate governance procedures of the Group to ensure proper compliance with the relevant requirements and to provide a report of its findings as soon as possible.

SUSPENSION OF DUTIES OF MR. SHI JIAN

Pending the investigation of the Investigation Committee, on 21 September 2015, the Board resolved to suspend, with immediate effect, all executive functions and duties of Mr. Shi Jian in the Group.

UPDATE OF PROGRESS OF POSSIBLE SUBSCRIPTION

Reference is made to the Company's announcement dated 15 September 2015 in relation to the MOU, the Possible Subscription and the Whitewash Waiver. The Board wishes to update Shareholders that the negotiation with and the due diligence process carried out by the Subscribers are still ongoing. 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.

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

This announcement is made by SRE Group Limited (the "**Company**") pursuant to 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.

BACKGROUND

Reference is made to the Company's announcement (the "**June Announcement**") dated 9 June 2015 in relation to, inter alia, the custody of Mr. Shi Jian ("**Mr. Shi**") at a designated residence as required by the Changzhou City People's Procuratorate of the People's Republic of China (the "**Incident**").

Subsequent to the publication of the June Announcement, the board (the “**Board**”) of directors (the “**Directors**”) and senior management of the Company continued to conduct internal checking (the “**Internal Checking**”) with the records of the Company and its subsidiaries (the “**Group**”) with the view to temporarily taking over Mr. Shi’s executive functions during the continuance of the Incident. During the Internal Checking, it was unraveled that certain financing transactions (the “**Financing Transactions**”) were executed by Mr. Shi, purportedly acting for and on behalf of certain members of the Group, between 2011 and 2014 with third party financial institutions without the knowledge of the other Directors of the Company at the relevant time.

Based on the findings of the Board, the purposes of the Financing Transactions were to guarantee the repayment obligations of certain loans owed by the following connected persons (the “**Connected Persons**”) related to Mr. Shi, namely, SGLD, Malaren Management, Malaren Hospital, Malaren Obstetrical, Chengdu SRE and Black Eagle (as such terms are defined below).

Upon a review of the documents relating to the Financing Transactions and after consulting the legal advisers of the Company, the Board considers that the Financing Transactions are regarded as the provision of financial assistance to the Connected Persons. As the applicable percentage ratio in respect of the Financing Transactions exceeded 5%, they should have constituted non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules which were in force at the relevant time. In addition, as the Financing Transactions were not entered into in the Group’s ordinary and usual course of business and the applicable percentage ratio in respect of the Financing Transactions exceeded 25%, they should have constituted at least major transactions (or very substantial acquisitions) for the Company under Chapter 14 of the Listing Rules. Accordingly, the Board considers that the Financing Transactions should be subject to announcement, circular and independent shareholders’ approval requirements under the Listing Rules.

The purpose of this announcement is to provide shareholders of the Company (“**Shareholders**”) and the investing public with details of the Financing Transactions.

RELATIONSHIP BETWEEN MR. SHI AND THE CONNECTED PERSONS

As at the date of this announcement, based on the information available to the Company, (a) SRE Investment Holding Limited (“**SREI**”) is the controlling shareholder of the Company currently holding 2,889,659,128 Shares, representing approximately 51.01% of the issued share capital of the Company; and (b) the beneficial shareholders of SREI are Mr. Shi Jian (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). Mr. Shi Jian is also an executive Director of the Company.

Based on the information available to the Company, Shanghai Golden Luodian Development Co., Ltd. (上海金羅店開發有限公司) (“**SGLD**”), Shanghai Lake Malaren Lake Commercial Management Co., Ltd. (上海美蘭湖商業管理有限公司) (“**Malaren Management**”), Shanghai Lake Malaren Hospital Investment Co., Ltd. (上海美蘭湖醫院投資有限公司) (“**Malaren Hospital**”), Shanghai Lake Malaren Obstetrical and Gynecological Hospital Investment Co., Ltd. (上海美蘭湖婦產科醫院有限公司) (“**Malaren Obstetrical**”) and Chengdu Shanghai Real Estate Co., Ltd. (成都上置置業有限公司) (“**Chengdu SRE**”) are PRC subsidiaries of China New Town Development Company Limited (“**CNTD**”), a company dual-listed on the main board of The Singapore Exchange Securities Trading Limited (stock code: D4N.sj) and the Stock Exchange (stock code: 1278). Pursuant to a disposal agreement (the “**Disposal Agreement**”) signed between CNTD and SREI on 10 October 2013, CNTD has agreed to sell, and SREI has conditionally agreed to purchase, CNTD’s equity interest in Malaren Management, Malaren Hospital and Chengdu SRE and certain assets of SGLD (the “**SGLD Relevant Assets**”) (collectively, the “**Disposal Assets**”). The relevant disposals under the Disposal Agreement are not completed yet. Upon completion of the disposals under the Disposal Agreement, Malaren Management, Malaren Hospital and Chengdu SRE, and the holding company(ies) of the SGLD Relevant Assets, will become subsidiaries of SREI.

Based on the information available to the Company, Black Eagle (Shanghai) Investment Management Limited (黑鷹(上海)投資管理有限公司) (“**Black Eagle**”) is a wholly-owned subsidiary of SREI.

DETAILS OF THE FINANCING TRANSACTIONS

(1) The First Financing Transaction

Date: 25 May 2011

Parties: (a) the Company (as guarantor)

(b) Bank A (as lender), a licensed bank in China which is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)

Secured interest

A guarantee to secure the repayment obligations of SGLD in relation to the SGLD Relevant Assets (forming part of the Disposal Assets) under the loan agreement between SGLD (as borrower) and Bank A (as lender) dated 25 May 2011. Under the loan agreement, (a) the loan amount was RMB600,000,000 (HK\$732,000,000); (b) the term of the loan was five years commencing 26 May 2011; and (c) the interest rate was fixed at 120% of the relevant base rate of People’s Bank of China (“**PBOC**”), or currently 6.6% per annum.

Outstanding balance

Based on the Company’s enquiries with the borrower and the bank, as of 31 August 2015, the outstanding loan balance was approximately RMB281,600,000 (HK\$343,552,000).

Other security

Based on the Company's enquiries with the borrower and the bank, apart from the guarantee given by the Group specified herein, the loan was also secured by mortgages over properties or land owned by the borrower.

(2) The Second Financing Transaction

Date: 19 December 2013

Parties: (a) the Company (as guarantor)

(b) Bank A (as lender)

Secured interest

A guarantee to secure the repayment obligations of Black Eagle under three loan agreements between Black Eagle (as borrower) and Bank A (as lender) dated 19 December 2013, 19 December 2013 and 4 May 2014, respectively. Under the loan agreements, (a) the total loan amount was RMB1,300,000,000 (HK\$1,586,000,000); (b) the term of two of the loan in the principal amount of RMB900,000,000 (HK\$1,098,000,000) was 48 months commencing 27 December 2013, and the term of the remaining loan in the principal amount of RMB400,000,000 (HK\$488,000,000) was 43 months commencing 4 May 2014; and (c) the interest rate was fixed at 102.34375% of the relevant base rate of PBOC, or currently 5.629% per annum.

Outstanding balance

Based on the Company's enquiries with the borrower and the bank, as of 31 August 2015, the outstanding loan balance was approximately RMB1,254,000,000 (HK\$1,529,880,000).

Other security

Based on the Company's enquiries with the borrower and the bank, apart from the guarantee given by the Group specified herein, the loan was also secured by mortgages over properties or land owned by the borrower.

(3) The Third Financing Transaction

Date: 30 July 2014

Parties: (a) (i) the Company,

(ii) Wuxi Yongqing Real Estate Co., Ltd. (無錫永慶房地產有限公司) (“**Wuxi Yongqing**”), a 98.75%-owned subsidiary of the Company, and

(iii) Shanghai Shuo Cheng Real Estate Co., Ltd. (上海碩誠置業有限公司) (“**Shanghai Shuo Cheng**”), a wholly-owned subsidiary of the Company,

(as guarantors);

(b) Bank B (as lender), a licensed bank in China which is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)

Secured interest

A guarantee to secure the repayment obligations of SGLD in relation to the SGLD Relevant Assets (forming part of the Disposal Assets) under the loan agreement between SGLD (as borrower) and Bank B (as lender) dated 29 October 2009. Under the loan agreement, (a) the loan amount was RMB600,000,000 (HK\$732,000,000); (b) the term of the loan was 180 months commencing 29 October 2009; and (c) the interest rate was fixed at 90% of the relevant base rate of PBOC, or currently 5.535% per annum.

By virtue of a supplemental loan agreement dated 30 July 2014, the obligations of the loan were novated by SGLD to Malaren Management (forming part of the Disposal Assets).

Outstanding balance

Based on the Company’s enquiries with the borrower and the bank, as of 31 August 2015, the outstanding loan balance was approximately RMB380,000,000 (HK\$463,600,000).

Other security

Based on the Company’s enquiries with the borrower and the bank, apart from the guarantee given by the Group specified herein, the loan was also secured by mortgages over properties or land owned by the borrower.

(4) The Fourth Financing Transaction

Date: 30 July 2014

Parties: (a) the Company, Wuxi Yongqing and Shanghai Shuo Cheng, as guarantors

(b) Bank B (as lender)

Secured interest

A guarantee to secure the repayment obligations of Malaren Hospital (forming part of the Disposal Assets) under the loan agreement between Malaren Hospital (as borrower) and Bank B (as lender) dated 12 June 2012. Under the loan agreement, (a) the loan amount was RMB450,000,000 (HK\$549,000,000); (b) the term of the loan was 71 month commencing 12 June 2012; and (c) the interest rate was fixed at 101% of the relevant base rate of PBOC, or currently 6.461% per annum.

Outstanding balance

Based on the Company's enquiries with the borrower and the bank, as of 31 August 2015, the outstanding loan balance was approximately RMB299,140,000 (HK\$364,950,800).

Other security

Based on the Company's enquiries with the borrower and the bank, apart from the guarantee given by the Group specified herein, the loan was also secured by mortgages over properties or land owned by the borrower.

(5) The Fifth Financing Transaction

Date: 1 September 2014

Parties: (a) Shanghai Anderson Fuxing Land Co., Ltd. (上海安信復興置地有限公司) (“**Anderson Fuxing**”) (as chargor), a 51.48%-owned subsidiary of the Company

(b) Bank C (as chargee), a licensed bank in China which is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)

Secured interest

A property mortgage to pledge a property owned by Anderson Fuxing (the “**Pledged Property**”) in favour of Bank C to secure the repayment obligations of Malaren Obstetrical (forming part of the Disposal Assets) under the loan agreement between Malaren Obstetrical (as borrower) and Bank C (as lender) dated 1 September 2014. Under the loan agreement, (a) the loan amount was RMB30,000,000 (HK\$36,600,000) (the “**Fifth Loan**”); (b) the term of the loan was 24 months commencing 1 September 2014; and (c) the interest rate was fixed at 110% of the relevant base rate of PBOC, or currently 5.5% per annum.

The Pledged Property is a residential apartment with a total gross floor area of approximately 500.28 square meters located at Room 2001, No. 5, Avenue 222, Ma Dang Road, Shanghai.

Outstanding balance

Based on the Company's enquiries with the borrower and the bank, as of 31 August 2015, the outstanding loan balance was approximately RMB30,000,000 (HK\$36,600,000).

(6) The Sixth Financing Transaction

Date: 19 December 2014

Parties: (a) the Company (as guarantor)

(b) Bank D (as lender), a licensed bank in China which is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)

Secured interest

A guarantee to secure the repayment obligations of Chengdu SRE (forming part of the Disposal Assets) under the loan agreement between Chengdu SRE (as borrower) and Bank D (as lender) dated 19 December 2014. Under the loan agreement, (a) the loan amount was RMB400,000,000 (HK\$488,000,000); (b) the term of the loan was 36 months commencing 19 December 2014; and (c) the interest rate was fixed at 10.0% per annum.

Outstanding balance

Based on the Company's enquiries with the borrower and the bank, as of 31 August 2015, the outstanding loan balance was approximately RMB138,000,000 (HK\$168,360,000).

Other security

Based on the Company's enquiries with the borrower and the bank, apart from the guarantee given by the Group specified herein, the loan was also secured by mortgages over properties or land owned by the borrower, and a charge over the entire equity interest in Chengdu SRE.

THE BOARD'S PRELIMINARY FINDINGS

The existing Board of Directors of the Company raised enquiries with the then members of the Board on the respective dates of the Financing Transactions, all of whom (except one ex-Director whom the Board failed to contact prior to the publication of this announcement) confirmed that they were not aware of the Financing Transactions until they were informed by us, and that to the best of their knowledge and belief, the signing of the Financing Transactions by Mr. Shi (or upon Mr. Shi's instructions) had not been approved by the Board at the relevant time.

Based on the preliminary investigation of the Company, taking into account the Company's enquiries with the Connected Persons and the lenders, (a) the total outstanding balance of the loans secured by the Financing Transactions was RMB2,382,740,000 (HK\$2,906,942,800) as of 31 August 2015; (b) the Group does not have any immediate risk of monetary damages as there has been no default in repayment of the borrowers on any of the loans; (c) all the loans secured by the Financing Transactions (save and except the Fifth Loan with an outstanding balance of RMB25,000,000 (HK\$30,500,000) as of 31 August 2015) were also secured by mortgages or charges over properties, land or equity provided by the Connected Persons (collectively, the "**Security by Connected Persons**"), with market value of the Security by Connected Persons being above the current outstanding balance of the loans; and (d) the Company was informed by the borrowers that they intend to make, and are capable of making, punctual repayments on the loans in accordance with the repayment schedules. On that basis, the Board considers

that the Financing Transactions have not brought about any immediate risks of material adverse impact on the financial position of the Group. However, the Company wishes to emphasize that the above findings and analysis are of a preliminary nature. The Company will make further announcement(s) about the findings of the Investigation Committee (as defined below) and the results of the internal control review (as described below) in due course.

CONSEQUENCES AND REMEDIAL ACTIONS

The Board (except Mr. Shi with whom the Board failed to contact prior to the publication of this announcement) considers that the Financing Transactions do not confer any commercial benefit to the Group and are not on normal commercial terms or better to the Company.

Upon a review of the documents relating to the Financing Transactions and after consulting the legal advisers of the Company, the Board considers that the Financing Transactions are regarded as the provision of financial assistance to the Connected Persons. As the applicable percentage ratio in respect of the Financing Transactions exceeded 5%, they should have constituted non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules which were in force at the relevant time. In addition, as the Financing Transactions were not entered into in the Group's ordinary and usual course of business and the applicable percentage ratio in respect of the Financing Transactions exceeded 25%, they should have constituted at least major transactions (or very substantial acquisitions) for the Company under Chapter 14 of the Listing Rules. Accordingly, the Board considers that the Financing Transactions should be subject to announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Company is seeking legal advice from its legal advisers as to the appropriate actions which the Company should take regarding the Financing Transactions. The Company is also exploring plans of remedial actions with the Connected Persons and/or the relevant lenders with the view to releasing the Group from the Financing Transactions. Shareholders and the investing public will be informed by way of announcement(s) if and when there is any significant development on this matter.

FORMATION OF AN INVESTIGATION COMMITTEE AND INTERNAL CONTROL REVIEW

The Board has established an investigation committee which consists of all the independent non-executive Directors as members (the "**Investigation Committee**") to further investigate the Financing Transactions and to review the internal control system of the Group. The Company will announce the findings of the Investigation Committee in due course.

The Company also intends to engage an independent consultant (the "**Internal Control Consultant**") to thoroughly review the internal control and corporate governance procedures of the Group to ensure proper compliance with the relevant requirements and to provide a report of its findings as soon as possible. The Company and the Investigation Committee will consult with and seek advice from the Internal Control Consultant with regards to the implementation of the these recommendations so as to ensure future compliance with the Listing Rules. The Company will announce, in due course, the results of the internal control review, the recommendations of the Internal Control Consultant and the measures adopted by the Company pursuant to the advice given.

SUSPENSION OF DUTIES OF MR. SHI JIAN

Pending the investigation of the Investigation Committee, on 21 September 2015, the Board resolved to suspend, with immediate effect, all executive functions and duties of Mr. Shi Jian in the Group.

UPDATE OF PROGRESS OF POSSIBLE SUBSCRIPTION

Reference is made to the Company's announcement dated 15 September 2015 (the "**MOU Announcement**") in relation to the MOU, the Possible Subscription and the Whitewash Waiver. Capitalized terms used in this paragraph shall have the same meanings as defined in the MOU Announcement.

The Board wishes to update Shareholders that the negotiation with and the due diligence process carried out by the Subscribers are still ongoing. 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.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 22 September 2015. Trading in the Shares will remain suspended.

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

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted, for illustrative purpose only, into HK\$ at an exchange rate of RMB1.00 = HK\$1.22. Such exchange rate is for the purpose of illustration only and do not constitute a representation that any amount has been, could have been or may be converted at any of the above rate and any other rate or at all.

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

Hong Kong, 24 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.