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SRE GROUP LIMITED

上置集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1207)

- (1) PROPOSED ISSUE OF NEW SHARES TO THE SUBSCRIBERS UNDER SPECIFIC MANDATE;**
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) OTHER ARRANGEMENT;
AND
(4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Financial Adviser to China Minsheng Jiaye



Financial Adviser to SRE Group Limited



Chanceton Capital Partners Limited

(1) PROPOSED ISSUE OF NEW SHARES TO THE SUBSCRIBERS UNDER SPECIFIC MANDATE

On 9 October 2015, the Company, the Subscribers (including China Minsheng Jiaye and the Investors) and SREI entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 14,900,000,000 Subscription Shares at the Subscription Price of HK\$0.10 per Subscription Share for a total cash consideration of HK\$1,490,000,000.

The Subscription Shares represent: (i) approximately 263.03% of the existing issued share capital of the Company; and (ii) approximately 72.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

At the SGM, the Company will seek the Specific Mandate from the LR Independent Shareholders in order to issue the Subscription Shares. The Subscription Completion is conditional upon, among others, the terms and conditions as set out in the Subscription Agreement.

(2) APPLICATION FOR WHITEWASH WAIVER

Upon the Subscription Completion, China Minsheng Jiaye and parties acting in concert with them will hold 12,500,000,000 Shares, representing approximately 60.78% of the voting rights of the Company as enlarged by the issue of the Subscription Shares. As a result, China Minsheng Jiaye and parties acting in concert with them will be obliged to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by China Minsheng Jiaye and parties acting in concert with them) pursuant to Rule 26.1 of the Takeovers Code.

China Minsheng Jiaye will apply to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code which, if granted, will be subject to, among other things, approval by the TC Independent Shareholders in respect of the Subscription and the Whitewash Waiver at the SGM by way of poll. The granting by the Executive of the Whitewash Waiver and the approval of the TC Independent Shareholders are part of the Subscription Conditions and cannot be waived.

(3) OTHER ARRANGEMENT

Reference is made to the announcement of the Company on 24 September 2015 regarding certain Financing Transactions. In connection with those Financing Transactions, the Company and/or certain of its subsidiaries were found to have executed certain guarantee and a mortgage in favour of banks for the Third Party Indebtedness of certain connected persons of Mr. Shi Jian. The aggregate outstanding principal amount of the Third Party Indebtedness as at 31 August 2015 was approximately RMB2,382.7 million.

Due to the Financing Transactions, the Group may be required to assume all repayment obligations in respect of the Third Party Indebtedness in the event of payment default on the Third Party Indebtedness. In order to remedy the undesirable financial implications of the Group's exposure to the contingent liabilities of the Third Party Indebtedness, China Minsheng Jiaye will, upon the Subscription Completion, provide a back-to-back indemnity in favour of the Company to indemnify and hold harmless the Group from and against any losses and costs that it has incurred as a result of the performance of the Financing Transactions by the Company or any of its subsidiaries, on the term that the Company shall account to China Minsheng Jiaye any proceeds, compensation or money that it may have received or recovered from any persons in relation to the Third Party Indebtedness as a result of the enforcement of the existing collateral provided to the lending banks by the borrowers of the Third Party Indebtedness or otherwise.

(4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The current authorised share capital of the Company is HK\$800,000,000 divided into 8,000,000,000 Shares of HK\$0.10 each, of which 5,664,713,722 Shares have been allotted and issued as fully paid or credited as fully paid. In order for the Company to carry out the Subscription, the Board proposes to increase the authorised share capital of the Company to HK\$5,000,000,000 by authorising the creation of an additional 42,000,000,000 Shares. The proposed Share Capital Increase is subject to the approval of the Shareholders at the SGM.

GENERAL

The IBC comprising all the non-executive Directors and the independent non-executive Directors will be established to advise the Independent Shareholders as to whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable, and to advise the Independent Shareholders on how to vote. The IFA will be appointed by the IBC as soon as possible to advise the IBC and the Independent Shareholders as to whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable and the voting action that should be taken by Independent Shareholders. A further announcement will be made upon the appointment of the IFA as soon as possible.

The Circular containing, among other things, detailed information about: (i) the Transactions; (ii) the recommendations of the IBC to the Independent Shareholders; and (iii) the advice from the IFA on the terms of the Subscription and the Whitewash Waiver, together with a notice convening the SGM and the resolutions to be proposed at the SGM, is expected to be dispatched to the Shareholders no later than 2 November 2015 in accordance with the Listing Rules and the Takeovers Code.

CONTINUED SUSPENSION OF TRADING

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

WARNING OF RISKS OF DEALING IN SHARES

The Transactions are subject to the satisfaction (or, if applicable, waiver) of a number of conditions as set out in this announcement and, accordingly, the Transactions may or may not proceed and are possibilities only. Shareholders and potential investors should exercise caution when dealing in Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

PROPOSED ISSUE OF NEW SHARES TO THE SUBSCRIBERS UNDER SPECIFIC MANDATE

The Company is pleased to announce that on 9 October 2015, the Company, the Subscribers (including China Minsheng Jiaye and the Investors) and SREI entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 14,900,000,000 Subscription Shares at the Subscription Price of HK\$0.10 per Subscription Share for a total cash consideration of HK\$1,490,000,000.

The Subscription Agreement

Date

9 October 2015 (after trading hours)

Parties

- (1) The Company (as issuer)
- (2) The Subscribers, namely, China Minsheng Jiaye, Investor A, Investor B, Investor C, Investor D and Investor E; and
- (3) SREI.

Further details about the Subscribers are set out in the Section headed “Other Information” in this announcement.

To the best of the knowledge, information and belief of the Directors, each of the Subscribers and their ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

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. The principal activity of SREI is investment holding. As at the date of this announcement, based on the information available to the Company:

- (a) The legal and beneficial shareholders of SREI are Mr. Shi Jian (a director of the Company and SREI, holding 36% interest in SREI), Madam Si Xiao Dong (the spouse of Mr. Shi Jian and a director of SREI, holding 30% interest in SREI), Mr. Li Yao Min (a director of SREI, holding 5% interest in SREI), Mr. Shi Jian Dong (close relative of Mr. Shi Jian and a director of SREI, holding 5% interest in SREI), close relatives (as defined in the Takeovers Code) of Mr. Shi Jian and/or Madam Si Xiao Dong (holding in aggregate 6% interest in SREI), other relatives (but not being “close relatives” as defined in the Takeovers Code) of Mr. Shi Jian and/or Madam Si Xiao Dong (holding in aggregate 2% interest in SREI) and some other individuals (holding in aggregate 16% interest in SREI).

- (b) SREI has four directors. The SREI Directors, namely Mr. Shi Jian, Madam Si Xiao Dong, Mr. Shi Jian Dong and Mr. Li Yao Min, and their “close relatives” (as defined in the Takeovers Code) are presumed to be acting in concert with SREI under Class 2 presumption in the definition of “acting in concert” in the Takeovers Code.
- (c) Apart from their indirect shareholding interest in the Company through SREI, the SREI Concert Parties hold direct interest in 20,699,274 Shares, representing 0.37% of the issued share capital of the Company. Other shareholders of SREI (not being parties presumed to be acting in concert with SREI) directly owns 6,636,091 Shares, representing 0.12% of the issued share capital of the Company.

The Subscription

On 9 October 2015, the Company, the Subscribers (including China Minsheng Jiaye and the Investors) and SREI entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 14,900,000,000 Subscription Shares at the Subscription Price of HK\$0.10 per Subscription Share for a total cash consideration of HK\$1,490,000,000.

The amount of subscription monies, the number of Subscription Shares and the percentage shareholding (on the basis of the issued share capital of the Company as enlarged by the Subscription Shares) of each of the Subscribers are set out below:

Subscriber	Subscription monies	Subscription Shares	%
China Minsheng Jiaye	HK\$1,250,000,000.00	12,500,000,000	60.78%
Investor A	HK\$70,000,000.00	700,000,000	3.40%
Investor B	HK\$50,000,000.00	500,000,000	2.43%
Investor C	HK\$50,000,000.00	500,000,000	2.43%
Investor D	HK\$50,000,000.00	500,000,000	2.43%
Investor E	HK\$20,000,000.00	200,000,000	0.97%
Total:	HK\$1,490,000,000.00	14,900,000,000	72.45%

Pursuant to the terms of the Subscription Agreement, China Minsheng Jiaye has the right to nominate its wholly-owned subsidiary to take up all of its Subscription Shares on the Subscription Completion Date.

There is no understanding, agreements or arrangements between China Minsheng Jiaye and the Investors in relation to the voting rights of the Company (including their acquisition or disposal of the voting rights of the Company). China Minsheng Jiaye on one hand and each of the Investors on the other hand do not fall within any of the 9 classes of presumptions of acting in concert under the Takeovers Code.

The 14,900,000,000 Subscription Shares represent: (i) approximately 263.03% of the existing issued share capital of the Company; and (ii) approximately 72.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price for the Subscription of HK\$0.10 per Subscription Share represents:

- (a) a discount of approximately 74.36% to the closing price of HK\$0.390 per Share on the Last Trading Day;
- (b) a discount of approximately 73.33% to the average closing price of HK\$0.375 per Share for the last 5 Trading Days immediately prior to and including the Last Trading Day;
- (c) a discount of approximately 73.54% to the average closing price of HK\$0.378 per Share for the last 10 Trading Days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 93.7% to the NAV of approximately HK\$1.595 per Share as at 31 December 2014, based on the Annual Report of the Company for the year ended 31 December 2014; and
- (e) a discount of approximately 93.5% to the NAV of approximately HK\$1.550 per Share as at 30 June 2015, based on the Interim Report of the Company for the six months ended 30 June 2015.

Basis for Determining the Subscription Price

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to:

- (i) the prevailing and historical trading prices of the Shares and net book value per Share;
- (ii) the continuing loss results of the Group for the six months ended 30 June 2015 and the year ended 31 December 2014;
- (iii) the significant indebtedness and funding requirements of the Group as at 30 June 2015;
- (iv) the fact that China Minsheng Jiaye is acquiring a controlling interest in the Company; and
- (v) the strategic nature of China Minsheng Jiaye's Subscription and the strong business background, industry expertise and financing capability of China Minsheng Jiaye.

The gross proceeds from the Subscription would amount to HK\$1,490 million. The net proceeds of the Subscription, after deducting professional fees and other related expenses, are estimated to be approximately HK\$1,486 million, representing a net price of approximately HK\$0.0997 per Subscription Share.

Subscription Conditions

The Subscription Completion is conditional upon, inter alia, the following Subscription Conditions having been satisfied (or, if applicable, waived):

- (a) the Share Capital Increase being approved by the Shareholders, the Subscription, the Specific Mandate and the appointment of directors nominated by China Minsheng Jiaye being approved by the LR Independent Shareholders, and the Subscription and the Whitewash Waiver being approved by the TC Independent Shareholders, in each case by way of poll at the SGM;
- (b) the Executive having granted to China Minsheng Jiaye (and parties acting in concert with it) the Whitewash Waiver, and any conditions attaching to the Whitewash Waiver having been satisfied;
- (c) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or cancelled prior to Subscription Completion;
- (d) China Minsheng Jiaye having completed its due diligence on the Company and being satisfied with its results;
- (e) the representations and warranties of the Company and SREI set out in the Subscription Agreement remaining true, accurate, complete and not misleading on Subscription Completion, and the Company and SREI having complied with all of their undertakings (including those in relation to pre-completion undertakings and covenants) under the Subscription Agreement;
- (f) from the date of the Subscription Agreement until the Subscription Completion Date, the Shares continuing to be listed and traded on the Stock Exchange (except for suspension of trading in connection with the Subscription Agreement or suspension of trading for not more than five trading days) and no requests having been received from the SFC and/or the Stock Exchange that the listing status of the Shares on the Stock Exchange will be revoked or cancelled as a result of the completion under the Subscription Agreement or any terms thereunder or other matters;
- (g) from the date of the Subscription Agreement until the Subscription Completion Date, no person (except a party to the Subscription Agreement) having obtained a binding order from any relevant authorities restricting or prohibiting any party to the Subscription Agreement to complete the transactions contemplated thereunder at any relevant authorities and the Subscription Agreement and the transactions contemplated thereunder comply with applicable laws and regulations;
- (h) all relevant government authorities or regulatory authorities or other relevant third parties (including banks and other creditors) having granted to the Company or the Subscribers all necessary consents, approvals, reports and filings (if applicable) in respect of the entry into and performance of the Subscription Agreement;

- (i) since the date of the Subscription Agreement, (i) there having been no events, conditions, occurrence or development of a state of circumstances or facts which has had or reasonably could be expected to have a material and adverse change or effect on the business, operations, assets or liabilities, financial conditions or prospects of the Group or any of its subsidiaries (as applicable) and; (ii) there having been no change in the applicable laws in each of the jurisdictions in which the Group has business operations which may lead to material and adverse effect to the Group as a whole;
- (j) the Subscribers having received a legal opinion issued by Bermuda counsel on matters of Bermuda law in a form reasonably satisfactory to the Subscribers; and
- (k) the Company and its subsidiaries not having defaulted any of its contractual obligations under any agreements, tenancies, mortgages, charges, trust deeds, notes or bonds.

Waiver of the Subscription Conditions

The Subscribers may at any time waive any or all of the Subscription Conditions set out in paragraphs (d) through (k) of the section headed “Subscription Conditions” above. The remaining Subscription Conditions cannot be waived.

Long Stop Date

If the Subscription Conditions have not been satisfied or waived by the parties on or before the Long Stop Date, the Subscription Agreement will be terminated, but without prejudice to any rights accrued by the parties prior to termination.

Events of Default

Each party to the Subscription Agreement has undertaken to make its best efforts to complete the Subscription. Subject to the absence of any material risks in the due diligence review by China Minsheng Jiaye and to its satisfaction with the due diligence results, any failure to perform the foregoing undertaken obligation on the part of any party to the Subscription Agreement will constitute an Event of Default and will result in liability for liquidated damages in the amount of RMB200 million.

As announced by the Company on 15 September 2015, in view of the capital needs of the Group in the near term, China Minsheng Jiaye intended to provide an interest-bearing short-term loan to the Group. On 16 September 2015, the Company and certain of its subsidiaries entered into the Loan Agreement with China Minsheng Jiaye, whereby (a) a fixed loan in the amount of RMB560 million was provided by China Minsheng Jiaye to the Group; (b) the obligations of the borrower were secured by the corporate guarantee of the Company and the personal guarantee of Mr. Shi Janson Bing (an executive Director of the Company); and (c) share charges were entered into by certain subsidiaries of the Company by way of collaterals in support of the Loan.

It is agreed that if an Event of Default occurs, the Group shall repay the Loan (and accrued interest) to China Minsheng Jiaye in full within five days after the occurrence of the Event of Default.

The Subscription Completion

The Subscription Completion will take place on the second Business Day following the notification of the satisfaction or waiver of the Subscription Conditions.

Ranking

The Subscription Shares will, when issued, rank pari passu in all respects with the other Shares then in issue, including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment, free and clear of liens, charges, security interests, encumbrances and third party rights.

Representations and Warranties

In connection with the Subscription, the Company and SREI have given certain representations and warranties to the Subscribers in respect of, among other things, the underlying business and operations of the Group, ownership of the properties owned by the Group, compliance with applicable laws and litigation against the Group.

Specific Mandate

At the SGM, the Company will seek the Specific Mandate from the LR Independent Shareholders in order to issue the Subscription Shares.

Application for Listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Other Information

Information about the Company

The Group is mainly engaged in real estate development, property leasing and hotel operations in Mainland China. The Group is an integrated real estate developer specialising in property development business. Geographically, Shanghai is the base for the Group's real estate development business, but the Group has been gradually expanding into capitals of various provinces and regional hubs with strong economic development potentials. While we are mainly a developer for medium-to-high end residential properties, we have been gradually building more commercial properties such as office buildings, hotels and shopping malls, aiming at becoming a fully integrated trans-regional real estate developer. Properties developed by the Group under the brand names of "Oasis Garden", "Rich Gate", "Skyway" and "Albany" enjoy a good reputation in both onshore and offshore markets including Shanghai, Shenyang, Haikou, Wuxi and Hong Kong.

Information about China Minsheng Jiaye and China Minsheng Investment

China Minsheng Jiaye is the real estate and industrial investment arm of China Minsheng Investment. The investment scope of China Minsheng Jiaye includes high quality real properties in key cities, investment and operation of multipliable assets, industrialisation of construction, industrial and cold chain logistics, healthcare, theme industry such as aged care and tourist industry, and other high criterion and high profitability industrial investment opportunities. Based on the information provided by China Minsheng Jiaye, the entire equity interest in China Minsheng Jiaye is held by China Minsheng Investment.

China Minsheng Investment is a large private investment company in Shanghai which was organised 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. Based on the information provided by China Minsheng Jiaye, as of the date of this announcement, no single shareholder of China Minsheng Investment holds more than 4% of the voting rights or paid-up capital of China Minsheng Investment.

Information about Investor A

Investor A is a company incorporated in Hong Kong with limited liability and is wholly-owned by Ms. Mu Yan, a merchant in Shandong Province, China. The principal activity of Investor A is investment holding.

Information about Investor B

Investor B is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ms. Dong Xiao Li, a merchant in Beijing, China. The principal activity of Investor B is investment holding.

Information about Investor C

Investor C is a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Tsar Chun Yeung, a merchant in Hong Kong. The principal activity of Investor C is investment holding.

Information about Investor D

Investor D is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Liu Kun, a merchant in Beijing, China. The principal activity of Investor D is investment holding.

Information about Investor E

Investor E is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Xia Wu Jie, a merchant in Zhejiang Province, China. The principal activity of Investor E is investment holding.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, China Minsheng Jiaye and the Investors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Intention in relation to the Group

China Minsheng Jiaye and the Company intend to maintain the listing of the Shares on the Main Board of the Stock Exchange. The Subscription Agreement provides that to the extent permitted under the Listing Rules and the Takeovers Code, China Minsheng Jiaye has the right to nominate Directors for election at the SGM, such appointment being effective as of the Subscription Completion Date. None of the Investors are given any right to nominate any Directors.

In addition to the existing business of the Company, China Minsheng Jiaye intends to regularly review the operations and business activities of the Company and will explore other opportunities available to the Company. China Minsheng Jiaye may also consider various ways to enhance the Company's growth (including by the Company developing new real estate projects or acquiring or investing in existing real estate projects or real estate assets, by injecting assets into the Company or through other similar opportunities). At present, no definitive plans or timing has been determined for any of these activities.

Use of Proceeds from the Subscription

The estimated net proceeds from the issue of the Subscription Shares to the Subscribers, after deduction of expenses, are approximately HK\$1,486 million. The net proceeds are intended to be used to repay bank loans of the Group, general working capital and for the future development of the Group's real estate projects, but the exact proportions of the use of proceeds have not been determined yet.

Interests of the Subscribers

As at the date of this announcement, neither China Minsheng Jiaye nor any party acting in concert with them owns, controls or directs any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares.

As at the date of this announcement, none of Investor A, Investor B, Investor C, Investor D and Investor E nor any of their respective ultimate beneficial owners owns, controls or directs any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares.

Save for the entering into of the Subscription Agreement by the Subscribers, none of Investor A, Investor B, Investor C, Investor D and Investor E nor any of their respective ultimate beneficial owners has dealt for value in any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares during the six month period prior to and including the date of this announcement.

Reasons for and Benefits of the Subscription

In view of China Minsheng Jiaye's established operations in the real estate industry in China, the Company considers that the subscription of approximately 60.78% of the entire issued share capital of the Company (as enlarged by the Subscription Shares) by China Minsheng Jiaye will strengthen the Group's principal business.

As stated in the annual report of the Group for the fiscal year 2014, the Group has several projects under development in Shanghai and Shenyang. With the continuous slowdown in the real estate market in China, and the significant decrease in revenue and net profit of the Group in the fiscal year 2014, the Group nonetheless has to maintain a good financial position so as to ensure the stable development of the Group's projects. The Subscription is expected to help strengthen the financial position of the Group, reduce its gearing ratio and interest costs and provide needed capital for the Group to maintain the stable development of its projects.

The Board (excluding the independent non-executive Directors who will express their opinion after considering the advice of the IFA) considers that the terms of the Subscription and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Equity Fund Raising Activities in the Last 12 Months

The Company did not raise any funds from any equity fund raising activities in the past 12 months immediately before the date of this announcement.

Circular

Further information about the Subscription will be included in the Circular, including the letter from the IFA regarding the Subscription, the controlling position which it will create and the effect of the Subscription on Shareholders generally.

APPLICATION FOR WHITEWASH WAIVER

China Minsheng Jiaye and parties acting in concert with them do not (as at the date of this announcement) own, control or direct any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares.

Upon the Subscription Completion, China Minsheng Jiaye and parties acting in concert with them will hold 12,500,000,000 Shares, representing approximately 60.78% of the voting rights of the Company as enlarged by the issue of the Subscription Shares. As a result, China Minsheng Jiaye and parties acting in concert with them will be obliged to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by China Minsheng Jiaye and parties acting in concert with them) pursuant to Rule 26.1 of the Takeovers Code.

China Minsheng Jiayewill apply to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code which, if granted, will be subject to, among other things, approval by the TC Independent Shareholders in respect of the Subscription and the Whitewash Waiver at the SGM by way of poll. The granting by the Executive of the Whitewash Waiver and the approval of the TC Independent Shareholders are part of the Subscription Conditions and cannot be waived.

Further information about the Whitewash Waiver will be included in the Circular.

OTHER ARRANGEMENT

Reference is made to the announcement of the Company on 24 September 2015 regarding certain Financing Transactions (as defined therein). In connection with those Financing Transactions, the Company and/or certain of its subsidiaries were found to have executed certain guarantee and a mortgage in favour of banks for the Third Party Indebtedness of certain connected persons of Mr. Shi Jian. The aggregate outstanding principal amount of the Third Party Indebtedness as at 31 August 2015 was approximately RMB2,382.7 million.

Based on the preliminary investigation of the Company, taking into account the Company's enquiries with the borrowers of the Third Party Indebtedness and the lenders, (a) the total outstanding balance of the loans secured by the Financing Transactions was RMB2,382,740,000 (equivalent to approximately 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 RMB30,000,000 (equivalent to approximately HK\$36,600,000) as of 31 August 2015) were also secured by mortgages or charges over properties, land or equity provided by the borrowers of the Third Party Indebtedness (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.

Due to the Financing Transactions, the Group may be required to assume all repayment obligations in respect of the Third Party Indebtedness in the event of payment default on the Third Party Indebtedness. In order to remedy the undesirable financial implications of the Group's exposure to the contingent liabilities of the Third Party Indebtedness, China Minsheng Jiaye will, upon the Subscription Completion, provide a back-to-back indemnity in favour of the Company to indemnify and hold harmless the Group from and against any losses and costs that it has incurred as a result of the performance of the Financing Transactions by the Company or any of its subsidiaries, on the term that the Company shall account to China Minsheng Jiaye any proceeds, compensation or money that it may have received or recovered from any persons in relation to the Third Party Indebtedness as a result of the enforcement of the existing collateral provided to the lending banks by the borrowers of the Third Party Indebtedness or otherwise.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The current authorised share capital of the Company is HK\$800,000,000 divided into 8,000,000,000 Shares of HK\$0.10 each, of which 5,664,713,722 Shares have been allotted and issued as fully paid or credited as fully paid. In order for the Company to carry out the Subscription, the Board proposes to increase the authorised share capital of the Company to HK\$5,000,000,000 by authorising the creation of an additional 42,000,000,000 Shares. The proposed Share Capital Increase is subject to the approval of the Shareholders at the SGM.

Immediately after the Share Capital Increase the authorised share capital of the Company will be HK\$5,000,000,000 divided into 50,000,000,000 Shares of HK\$0.10 each.

An ordinary resolution, to be voted by way of a poll, to approve the proposed increase in the authorised share capital of the Company will be proposed at the SGM. Further information about the Share Capital Increase will be included in the Circular.

OTHER INFORMATION

As at the date of this announcement, China Minsheng Jiaye has confirmed that, save and except for the Loan, the Security and the Liquidated Damages as disclosed in this announcement, neither it nor any persons acting in concert with it:

- (a) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any persons in relation to the Shares and which might be material to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver;
- (b) has received any irrevocable commitment from any Shareholder that such Shareholder will vote to approve the relevant Transactions at the SGM;
- (c) has any agreements or arrangements to which China Minsheng Jiaye (or any person acting in concert with them) is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable); and
- (d) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

EFFECT OF THE TRANSACTIONS

As at the date of this announcement, the Company has in issue 5,664,713,722 Shares.

The table below sets out the shareholding structure of the Company: (a) as at the date of this announcement; and (b) immediately after the Subscription Completion:

	As at the date of this announcement		Immediately after the Subscription Completion	
	No. of Shares	%	No. of Shares	%
SREI	2,889,659,128	51.01	2,889,659,128	14.05
Directors				
Mr. Shi Jian & Madam Si Xiao Dong (Note 1a and 1b)	13,009,315	0.23	13,009,315	0.06
Mr. Zhuo Fu Min (Note 2)	160,000	0.00	160,000	0.00
China Minsheng Jiaye			12,500,000,000	60.78
Public shareholders				
Investor A			700,000,000	3.40
Investor B			500,000,000	2.43
Investor C			500,000,000	2.43
Investor D			500,000,000	2.43
Investor E			200,000,000	0.97
Existing public shareholders	2,761,885,279	48.76	2,761,885,279	13.43
Public sub-total	2,761,885,279	48.76	5,161,885,279	25.10
Total	5,664,713,722	100.00%	20,564,713,722	100.00%

Notes:

1. Mr. Shi Jian is a director of the Company and holds 13,006,991 Shares. Madam Si Xiao Dong is Mr. Shi Jian's spouse and holds 2,324 Shares.
2. Mr. Zhuo Fumin is a director of the Company. His spouse, Madam He Pei Pei, holds 160,000 Shares.

Following the Subscription Completion, the Shares held by the core connected persons, including China Minsheng Jiaye (or its wholly-owned subsidiary), SREI and the Directors, and their respective close associates, would not count towards the public float. As each of the Investors holds less than 10% of the issued Shares, they are not substantial shareholders of the Company and would count as part of the public float.

None of the securities of the Company is listed or dealt in on any stock exchange (other than the Stock Exchange) and no such listing or permission to deal is being or is proposed to be sought.

As at the date of this announcement, the Company has no outstanding share options or convertible securities entitling any person to subscribe for Shares.

GENERAL

The IBC comprising all the non-executive Directors and the independent non-executive Directors will be established to advise the Independent Shareholders as to whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable, and to advise the Independent Shareholders on how to vote. The IFA will be appointed by the IBC as soon as possible to advise the IBC and the Independent Shareholders as to whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable and the voting action that should be taken by Independent Shareholders. A further announcement will be made upon the appointment of the IFA as soon as possible.

The Circular containing, among other things, detailed information about: (i) the Transactions; (ii) the recommendations of the IBC to the Independent Shareholders; and (iii) the advice from the IFA on the terms of the Subscription and the Whitewash Waiver, together with a notice convening the SGM and the resolutions to be proposed at the SGM, is expected to be dispatched to the Shareholders no later than 2 November 2015 in accordance with the Listing Rules and the Takeovers Code.

All resolutions to be put to vote at the SGM in relation to the Transactions will be taken by way of a poll in accordance with the Listing Rules and the Takeovers Code.

Only the TC Independent Shareholders will be eligible to vote on the relevant resolutions relating to the Subscription and the Whitewash Waiver. Only the LR Independent Shareholders will be eligible to vote on the relevant resolutions relating to the Subscription and the Specific Mandate. SREI, SREI's substantial shareholders and their associates, the SREI Concert Parties, and any Shareholders who are interested in or deemed to be interested in the relevant Transactions (including any other shareholders of SREI who hold direct interest in Shares) will abstain from voting on the relevant resolutions relating to the Subscription, the Specific Mandate and the Whitewash Waiver at the SGM.

All Shareholders will be able to vote on the Share Capital Increase.

CONTINUED SUSPENSION OF TRADING

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

WARNING OF RISKS OF DEALING IN SHARES

The Transactions are subject to the satisfaction (or, if applicable, waiver) of a number of conditions as set out in this announcement and, accordingly, the Transactions may or may not proceed and are possibilities only. Shareholders and potential investors should exercise caution when dealing in Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“acting in concert”	has the meaning given to it in the Takeovers Code
“associates”	has the meaning given to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or a public holiday or a day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 am to 5:00 pm)
“Bye-laws”	the memorandum of association and bye-laws of the Company which are currently in force
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Minsheng Investment”	China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司), a joint stock limited company established in the PRC and the parent company of China Minsheng Jiaye
“China Minsheng Jiaye”	China Minsheng Jiaye Investment Co., Ltd. (中民嘉業投資有限公司), a limited liability company established in the PRC
“Circular”	the circular to be issued by the Company in relation to the Transactions, together with the notice of the SGM, and to be dispatched to the Shareholders
“close associates”	has the meaning given to it in the Listing Rules
“close relatives”	has the meaning given to it in the Takeovers Code
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1207)
“connected person”	has the meaning given to it in the Listing Rules

“controlling shareholder”	has the meaning given to it in the Listing Rules
“core connected person”	has the meaning given to it in the Listing Rules
“Directors”	directors of the Company, including the independent non-executive directors of the Company
“Event of Default”	failure on the part of any party to the Subscription Agreement to endeavour to procure the completion of the due diligence process and to make its best efforts to complete the Subscription
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, an institution registered under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), the financial adviser to China Minsheng Jiaye in relation to the Subscription
“IBC”	the independent committee of the Board comprising all the non-executive Directors and the independent non-executive Directors, who have no direct or indirect interest in the Subscription and the Whitewash Waiver, to be established for the purpose of considering and advising: (i) the TC Independent Shareholders as to whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable and as to voting; and (ii) the LR Independent Shareholders as to whether the terms of the Subscription and the Specific Mandate are fair and reasonable and in the interest of the Company and the Shareholders as a whole and the voting action that should be taken by Independent Shareholders

“IFA”	the independent financial adviser to be appointed by the IBC to advise it in connection as to whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable and the voting action that should be taken by Independent Shareholders
“Independent Shareholders”	the TC Independent Shareholders and the LR Independent Shareholders, as the case may be
“Investor A”	Huaye International Holdings Co., Limited, a company incorporated in Hong Kong and wholly-owned by Ms. Mu Yan
“Investor B”	Best Forecast Investments Limited, a company incorporated in the British Virgin Islands and wholly-owned by Ms. Dong Xiao Li
“Investor C”	China Best International (HK) Limited, a company incorporated in Hong Kong and wholly-owned by Mr. Tsar Chun Yeung
“Investor D”	Premium Glory Investments Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Liu Kun
“Investor E”	Oasis Union Trading Development Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Xia Wu Jie
“Investors”	collectively, Investor A, Investor B, Investor C, Investor D and Investor E
“Last Trading Day”	21 September 2015, being the last Trading Day of the Shares before the suspension of trading in the Shares pending the release of an announcement relating to an inside information of the Company
“Liquidated Damages”	liquidated damages in the amount of RMB200 million and the immediate repayment of all obligations under the Loan in the Event of Default on the part of the Company and/or SREI
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	the fixed loan in the amount of RMB560 million provided by China Minsheng Jiaye to the Group pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 16 September 2015 in respect of the Loan entered into by, among others, the Company, certain of its subsidiaries and China Minsheng Jiaye

“Long Stop Date”	31 March 2016, or such other date as may be agreed between the Company and the Subscribers in writing
“LR Independent Shareholders”	Shareholders other than those who have a material interest (within the meaning of the Listing Rules) in the relevant Transactions
“NAV”	the net asset value of the Group attributable to Shareholders
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Public Float Requirement”	the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the Shares which are listed on the Stock Exchange must be held by the public for the purpose of the Listing Rules
“Register”	the register of members of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Security”	the corporate guarantee entered into by the Company and the share charges entered into by certain subsidiaries of the Company, in each case dated 16 September 2015 in favour of China Minsheng Jiaye, to secure the obligations of the borrower under the Loan Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the resolutions in respect of the Transactions
“Share Capital Increase”	the proposed increase in the authorised share capital of the Company from HK\$800,000,000 to HK\$5,000,000,000
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of Shares

“Specific Mandate”	the authority to be sought from the LR Independent Shareholders to authorise the Directors to issue the Subscription Shares
“SREI”	SRE Investment Holding Limited, the controlling shareholder of the Company currently holding approximately 51.01% of the issued share capital of the Company
“SREI Concert Parties”	the SREI Directors and their close relatives who are presumed to be acting in concert with SREI under Class 2 presumption in the definition of “acting in concert” in the Takeovers Code
“SREI Directors”	directors of SREI, namely Mr. Shi Jian, Madam Si Xiao Dong, Mr. Li Yao Min and Mr. Shi Jian Dong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, China Minsheng Jiaye and the Investors
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 9 October 2015 entered into between the Company, the Subscribers and SREI in relation to the Subscription
“Subscription Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Subscription Completion Date”	the date on which the Subscription Completion occurs
“Subscription Conditions”	the conditions precedent to the Subscription Completion under the Subscription Agreement as set out in the section headed “Subscription Conditions”
“Subscription Price”	HK\$0.10 per Subscription Share
“Subscription Shares”	14,900,000,000 Shares to be issued by the Company to the Subscribers pursuant to the Subscription
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“TC Independent Shareholders”	Shareholders other than (i) China Minsheng Jiaye, China Minsheng Investment and parties acting in concert with them; (ii) SREI and its concert parties; and (iii) those who are involved in or interested in the Subscription and/or the Whitewash Waiver (as the case may be)
“Third Party Indebtedness”	certain indebtedness of certain connected persons of Mr. Shi Jian that is guaranteed or secured by the Company and/or certain of its subsidiaries or its assets as disclosed in the announcement of the Company on 24 September 2015
“Trading Days”	the days on which the Shares are traded on the Stock Exchange
“Transactions”	the Subscription, the Whitewash Waiver, the Specific Mandate and the Share Capital Increase (and the transactions so contemplated)
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of China Minsheng Jiaye (or parties acting in concert with it) to make a mandatory general offer (for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by China Minsheng Jiaye and any parties acting in concert with it) as a result of China Minsheng Jiaye subscribing for the Subscription Shares under the Subscription Agreement
“%”	percent

Unless otherwise specified in this announcement, amounts denominated in RMB and US\$ have been converted, for illustrative purpose only, into HK\$ at an exchange rate of RMB1.00 = HK\$1.22 or US\$1.00 = HK\$7.80. Such exchange rates are 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 & Executive Director

Hong Kong, 12 October 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 jointly and severally accept full responsibility for the accuracy of the information in this announcement (other than information relating to the Subscribers) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Subscribers) 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 statements in this announcement misleading.

As at the date of this announcement, the directors of China Minsheng Jiaye are Zhang Zhichao (Chairman), Zhai Yanjie, Wu Chen, Liu Yueping, Fang Rong, Shi Yuwei, Cao Zhenling and Yan Yuanhao.

The directors of China Minsheng Jiaye jointly and severally accept full responsibility for the accuracy of the information in relation to China Minsheng Jiaye in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by China Minsheng Jiaye 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 statements in this announcement misleading.

The sole director of Investor A, namely Ms. Mu Yan, accepts full responsibility for the accuracy of the information in relation to Investor A in this announcement and confirm, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed by Investor A 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 statements in this announcement misleading.

The sole director of Investor B, namely Ms. Dong Xiao Li, accepts full responsibility for the accuracy of the information in relation to Investor B in this announcement and confirm, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed by Investor B 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 statements in this announcement misleading.

The sole director of Investor C, namely Mr. Tsar Chun Yeung, accepts full responsibility for the accuracy of the information in relation to Investor C in this announcement and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by Investor C 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 statements in this announcement misleading.

The sole director of Investor D, namely Mr. Liu Kun, accepts full responsibility for the accuracy of the information in relation to Investor D in this announcement and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by Investor D 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 statements in this announcement misleading.

The sole director of Investor E, namely Mr. Xia Wu Jie, accepts full responsibility for the accuracy of the information in relation to Investor E in this announcement and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by Investor E 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 statements in this announcement misleading.

** For identification purposes only*