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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **SRE Group Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**MAJOR TRANSACTION  
IN RELATION TO THE DISPOSAL OF  
60% EQUITY INTEREST IN  
MAYSON RESOURCES LIMITED  
AND 60% OF SHAREHOLDER'S LOAN**

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\* For identification purpose only

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Appendix I – Financial information of the Group</b> .....	I-1
<b>Appendix II – Valuation report on the Property</b> .....	II-1
<b>Appendix III – General information</b> .....	III-1

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Business Day”	a day when banks in Hong Kong are generally open for business (excluding Saturdays)
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement
“Completion Date”	date of the Completion
“Conditions for Completion”	as defined in the paragraph headed “Conditions for Completion” in the “Letter from the Board” in this circular
“Consideration”	the consideration in aggregate of RMB547,872,000 (equivalent to approximately HK\$668,403,840) (subject to adjustment) to be satisfied by the Purchaser for the acquisition of the Sale Shares and Sale Loan under the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Financing Transactions”	shall have the same meaning as defined in the announcement dated 24 September 2015 in relation to certain financing transactions
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	To the best knowledge, information and belief of the Directors having made all reasonable enquires, third parties independent to the Company and its related parties (as defined in the Listing Rules)

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## DEFINITIONS

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“Latest Practicable Date”	24 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“Long Stop Date”	date of expiry of two months following the date of the Sale and Purchase Agreement, or such later date as agreed by the parties
“Payment Conditions”	as defined in the paragraph headed “Payment Conditions” in the “Letter from the Board” in this circular
“PRC”	The People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	the properties held by the Target Group
“Purchaser”	Mainlandcn Ten Company Limited, a company incorporated in the British Virgin Islands
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 30 October 2015, entered into between the Vendor, the Purchaser and the Company in relation to the sale and purchase of the Sale Shares
“Sale Loan”	60% of the shareholder’s loan of HK\$457,674,465 owed by the Target Company to the Vendor, amounting to HK\$274,604,679
“Sale Shares”	60% equity interest in the Target Company
“Shanghai Albany Oasis”	Shanghai Albany Oasis Real Estate Ltd.* (上海綠洲雅賓利置業有限公司), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of Shanghai Shuo Cheng
“Shanghai Shuo Cheng”	Shanghai Shuo Cheng Real Estate Co., Ltd.* (上海碩誠置業有限公司), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

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## DEFINITIONS

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“Shareholders”	the holders of Shares
“SRE Investment”	SRE Investment Holding Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Circular”	the circular of the Company dated 16 November 2015 in relation to the Subscription
“Valuation”	the valuation of the Property as at 31 August 2015 prepared by the Valuer
“Valuer” or “JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer
“Subscription”	the subscription of 14,900,000,000 Shares to be issued by the Company to six subscribers pursuant to the subscription agreement dated 9 October 2015 entered into among the Company, six subscribers and SRE Investment in relation to such subscription
“Target Company”	Mayson Resources Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“USD”	the lawful currency of the United States of America
“Vendor”	Sinopower Investment Limited (華通投資有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“%”	per cent

\* *For identification purpose only*

*For the purpose of this circular, the conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.22 to RMB1 for illustration purpose only.*

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## LETTER FROM THE BOARD

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### SRE GROUP LIMITED

上置集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1207)**

*Board of Directors:*

Shi Jian (Chairman)

Wang Zi Xiong

*(Co-chairman & Chief Executive Officer)*

Shi Janson Bing (Vice-chairman)

Ma Dayu

Li Genfa

Shi Lizhou

Cheung Wing Yui<sup>+</sup>

Jin Bing Rong<sup>+</sup>

Zhuo Fumin<sup>++</sup>

Chan, Charles Sheung Wai<sup>++</sup>

Yang Chao<sup>++</sup>

Guoping<sup>++</sup>

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head office and principal place  
of business in Hong Kong:*

Suite 4006, 40/F

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

<sup>+</sup> *Non-executive Directors*

<sup>++</sup> *Independent Non-executive Directors*

26 November 2015

*To the Shareholders,*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO THE DISPOSAL OF  
60% EQUITY INTEREST IN  
MAYSON RESOURCES LIMITED  
AND 60% OF SHAREHOLDER'S LOAN**

**INTRODUCTION**

On 30 October 2015, after trading hours, the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed conditionally to sell and the Purchaser agreed conditionally to acquire the Sale Shares and the Sale Loan at a total consideration of RMB547,872,000 (equivalent to approximately HK\$668,403,840).

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### THE SALE AND PURCHASE AGREEMENT

#### Date

30 October 2015 (after trading hours)

#### Parties

- (i) Sinopower Investment Limited as the Vendor;
- (ii) Mainlandcn Ten Company Limited as the Purchaser; and
- (iii) the Company, as the Guarantor.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners is an Independent Third Party as at the Latest Practicable Date.

#### Assets to be Disposed of

- (a) the Sale Shares represent 60% equity interest in the Target Company; and
- (b) the Sale Loan represents 60% of the shareholder's loan owed by the Target Company to the Vendor as at 30 April 2015 and amounts to approximately HK\$274,604,679.

The principal assets of the Target Company are its equity interest in Shanghai Shuo Cheng.

#### Conditions for Completion

Completion of the Sale and Purchase Agreement is conditional upon the satisfaction of the following conditions, or otherwise being waived by the Purchaser on or before the Long Stop Date:

- (1) all consent(s), approval(s), waiver(s) and authorisation(s) from any relevant government authorities or other relevant third party(ies) in Hong Kong, Bermuda (if applicable), the PRC or any other place(s) as may be considered necessary or required by the Purchaser for the entering into and execution of the Sale and Purchase Agreement having been obtained on terms acceptable to the Purchaser;
- (2) receipt by the Vendor and the Group of all relevant consent(s) and approval(s) from third party(ies) as may be necessary in relation to the proposed transfer of the Sale Shares and the Sale Loan to ensure that assets and other rights of the Group under all existing contracts will remain intact (including the written consent from the main creditor of Shanghai Shuo Cheng) upon Completion;

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## LETTER FROM THE BOARD

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- (3) none of these consent(s), approval(s), waiver(s) or authorisation(s) having been cancelled, revoked or amended in a manner not acceptable to the Purchaser at any time before Completion;
- (4) if required under the Listing Rules, independent shareholders of the Company and the Purchaser having approved the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (5) if required under the Listing Rules, publication by the Company and the Purchaser of announcement(s) and circular(s) acceptable to the Purchaser in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules (the contents of which shall be agreed by the parties to the Sale and Purchase Agreement);
- (6)
  - (i) maintenance of the listing status of the shares of the Company on the Stock Exchange, and trading of the shares of the Company having not been suspended for more than three consecutive business days following the date of the Sale and Purchase Agreement and on or before the date of Completion;
  - (ii) none of the parties having received any indication from the Securities and Futures Commission in Hong Kong or the Stock Exchange on or before Completion (unless such indication has been revoked within five business days) that the Sale and Purchase Agreement or the transactions contemplated thereunder may result in the revocation of or objection against the listing status of the shares of the Company on the Stock Exchange (or the imposition of extraordinary or onerous conditions); and
  - (iii) compliance with all requirements imposed by the Stock Exchange and the Securities and Futures Commission in Hong Kong in relation to the terms of the Sale and Purchase Agreement and the Sale Shares and the Sale Loan under the Sale and Purchase Agreement;
- (7) the Target Company having issued ninety-nine (99) new shares to the Vendor, appointed two new directors and duly completed all relevant procedures (*Note*);

*Note: The purpose of the enlargement of the number of shares of the Target Company is primarily for facilitating the Disposal. Before the entering of the Sale and Purchase Agreement, the Target Company had only issued 1 share which was owned by the Vendor, and upon the completion of the issuance of ninety-nine (99) new shares of the Target company to the Vendor and Completion, 60 and 40 shares of the Target company will be owned by the Purchaser and the Vendor respectively. As at the Latest Practicable Date, the condition has already been fulfilled.*

The Purchaser may at any time and in writing waive any condition(s) for Completion (other than items (1) to (5) above) on such terms as it may require.



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## LETTER FROM THE BOARD

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Non-satisfaction of Conditions for Completion: If any Condition for Completion is not satisfied (and not waived by the Purchaser) on or before the Long Stop Date, the Sale and Purchase Agreement shall immediately be rescinded, and the Purchaser shall have the right by a notice to the Vendor (without prejudice to any other rights or remedies as might be available to the Purchaser) to:

- (1) waive the Condition(s) for Completion unsatisfied at the time;
- (2) postpone the Long Stop Date to a date falling on or before the twentieth Business Day from the Long Stop Date; or
- (3) terminate the Sale and Purchase Agreement,

and

if the Purchaser chooses to postpone Completion in accordance with paragraph (2) above, the provisions of the Sale and Purchase Agreement shall apply, as if the postponed date of Completion is the date of Completion specified in the Sale and Purchase Agreement.

### **Completion**

Completion shall take place three business days following the satisfaction of the Conditions for Completion, or, if not all of the Conditions are satisfied, waiver by the Purchaser has been obtained for the unsatisfied Condition(s).

Upon Completion, the Company will indirectly hold 40% equity interest in the Target Company and the Target Company will no longer be a subsidiary but remain as an associated company of the Company. As such, its financial results will no longer be consolidated into the financial statements of the Group but will be accounted for by using the equity method of accounting after Completion.

As at the Latest Practicable Date, the Company has no intention to dispose of the remaining 40% of shareholding in the Target Company after Completion.

### **Consideration and Payment Conditions**

#### *Payment Conditions*

The Purchaser is not obliged to settle the consideration until the following payment conditions have been satisfied (or waived by the Purchaser):

- (1) Completion has taken place;
- (2) the guarantees by way of mortgage or pledge of assets (2)(i), (2)(ii), (2)(iii) and (2)(viii) set out under the section headed “Undertakings by the guarantor” in the “Letter from the Board” of this circular have been executed and remain in full force and effect on terms acceptable to the Purchaser and the relevant procedures for registration have been completed; the Guarantor and the Vendor shall continue

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## LETTER FROM THE BOARD

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to procure the execution of the guarantees by way of mortgage or pledge of assets (2)(iv), (2)(v), (2)(vi) and (2)(vii) set out under the section headed “Undertaking by the Guarantor” in the “Letter from the Board” of this circular;

- (3) the original copy of land use right certificate held by Wuxi Yongqing Real Estate Co., Ltd. and that of the Jiaxing Lake Richgate project held by Jiaxing Lake Richgate Real Estate Co., Ltd. have been handed over to the Purchaser.

### *Consideration*

The Consideration of RMB547,872,000 shall be paid in the following manner:

- (1) on the date of signing of the formal Sale and Purchase Agreement, the Purchaser has paid a deposit of RMB10,000,000 to the Vendor which has to be refunded to the Purchaser;
- (2) upon the satisfaction of all the Payment Conditions, RMB487,872,000 shall be paid and the aforesaid RMB10,000,000 shall be returned by the Vendor to the Purchaser;
- (3) prior to the date falling three months from the date on which the Purchaser or its nominee(s) has been registered as the shareholder of the Target Company or 31 January 2016 (whichever is later), subject to the provision of evidence by the Vendor to the Purchaser to its satisfaction confirming that the liabilities of Shanghai Shuo Cheng under guarantees to external parties (“**Shanghai Shuo Cheng’s External Guarantees**”) including (i) external guarantees provided for companies in the Group, namely Shanghai Oasis Garden Real Estate Co., Ltd. and Shanghai Skyway Hotel Co., Ltd. (together known as “**Shanghai Shuo Cheng’s External Guarantees for Group Companies**”); and (ii) external guarantees provided for companies outside the Group, namely Shanghai Lake Malaren Commercial Management Co., Ltd. and Shanghai Lake Malaren Hospital Investment Co., Ltd. (together known as “**Shanghai Shuo Cheng’s External Guarantees for External Companies**”) (please see the table on P.9 in relation to the details of Shanghai Shuo Cheng External Guarantees) have not been crystallised, i.e. no Shanghai Shuo Cheng’s External Guarantees has been enforced prior to the date aforementioned, no creditor has claimed against Shanghai Shuo Cheng under Shanghai Shuo Cheng’s External Guarantees, and Shanghai Shuo Cheng has made no payment to any creditor under the Shanghai Shuo Cheng’s External Guarantees, and Shanghai Shuo Cheng’s External Guarantees have been duly and irrevocably rescinded in full, the remaining balance of the consideration for the subject equity interest of RMB60,000,000 shall be paid by the Purchaser to the Vendor within ten business days after the full release of these guarantee obligations.

## LETTER FROM THE BOARD

The following table sets out the Shanghai Shuo Cheng's External Guarantees as at the Latest Practicable Date:

No.	Host Contract		Amount of Creditor's Rights as at 31 August 2015 <i>(in RMB million)</i>	Guarantee Contract	
	Debtor	Creditor		Guarantor	Date of Guarantee Contract
<b>Shanghai Shuo Cheng's External Guarantees for Group Companies</b>					
1.	Shanghai Oasis Garden Real Estate Co., Ltd. (上海綠洲花園置業有限公司)	Bank A	500.00	Shanghai Shuo Cheng	2014
2.	Shanghai Skyway Hotel Co., Ltd. (上海斯格威大酒店有限公司)	Bank B	1,451.60	Shanghai Shuo Cheng	March 2014
<b>Shanghai Shuo Cheng's External Guarantees for External Companies</b>					
3.	Shanghai Lake Malaren Commercial Management Co., Ltd. (上海美蘭湖商業管理有限公司)	Bank B	380.00	Shanghai Shuo Cheng	30 July 2014
4.	Shanghai Lake Malaren Hospital Investment Co., Ltd. (上海美蘭湖醫院投資有限公司)	Bank B	299.14	Shanghai Shuo Cheng	30 July 2014
Total amount of guarantee			2,630.74		

### Consideration Adjustment

In respect of all the Shanghai Shuo Cheng's External Guarantees provided by Shanghai Shuo Cheng before the Completion Date, if Shanghai Shuo Cheng has, prior to Completion, actually assumed payment obligations towards the creditors of those guarantees, the Purchaser has the right to request the amount which Shanghai Shuo Cheng has been obliged to pay under the Shanghai Shuo Cheng External Guarantees be deducted from the total consideration of RMB547,872,000. In the event that the amount is not enough for such deduction, in addition to having a right to claim against the respective debtors, the Purchaser and Shanghai Shuo Cheng also have the right to, on a parallel basis and at the option of the Purchaser, claim against the Vendor and/or the Company.

Reference is made to the Subscription Circular and unless otherwise defined, capitalized terms in this paragraph shall have the same meanings as those defined in the Subscription Circular. Under the section headlined "Other Arrangement" set out in "Letter from the Board" of the Subscription Circular, it is stated that:

"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. China Minsheng Jiaye has confirmed that it has a comprehensive understanding of the Financing Transactions. 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 completion of the

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## LETTER FROM THE BOARD

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Subscription, provide a back-to-back indemnity in favour of the Company (the “CMJI Indemnity”) 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.”

Since Shanghai Shuo Cheng’s External Guarantees for External Companies are part of the Financing Transactions, in the event that Shanghai Shuo Cheng has, prior to Completion but upon the completion of the Subscription, actually assumed payment obligations towards the creditors of the Shanghai Shuo Cheng’s External Guarantees for External Companies and is obliged to pay thereunder, China Minsheng Jiaye shall indemnify and hold harmless the Group from and against any losses and costs that it has incurred as a result of the performance of Shanghai Shuo Cheng’s External Guarantees for External Companies under CMJI Indemnity.

### **Undertakings by the Guarantor**

Major undertakings include but not limited to:

- (1) The Company (as the Guarantor under the Sale and Purchase Agreement) unconditionally and irrevocably undertakes to procure the Vendor to timely perform all of its obligations and duties under the Sale and Purchase Agreement, and indemnify in full the Purchaser against any liabilities, losses, damages, fees and expenses incurred by the Purchaser (whether or not specified in the Sale and Purchase Agreement) as a result of the non-performance or late performance by the Vendor.
- (2) In consideration of the undertakings provided under Shanghai Shuo Cheng’s External Guarantees and in order to protect the interests of the Purchaser, the Company shall procure the relevant owners to provide guarantees or counter-guarantees by way of mortgage or pledge of the following assets: (i) to the Purchaser covering the obligations and liabilities of the Vendor under the Sale and Purchase Agreement; and/or (ii) to Shanghai Shuo Cheng as a guarantee for its rights against the debtors and to indemnify it after its performance and fulfillment of its guarantee obligations under the External Guarantees issued before the Completion Date (except the Shanghai Shuo Cheng’s External Guarantees for External Companies), for both principal and interest, liquidated damages, damage compensation, default interest, fees for the annulment of the guarantees and/or expenses to be incurred for preserving its rights.
  - (i) Shanghai Zhufu Property Development Co., Ltd. (上海住富房地產發展有限公司): 51% equity interest in Shanghai Bairun Real Estate Co., Ltd. (上海百潤房地產有限公司) held by it to be pledged in favour of Shanghai Shuo Cheng as the counter guarantee for the External Guarantees for Group Companies provided by Shanghai Shuo Cheng;

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## LETTER FROM THE BOARD

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- (ii) Wuxi Zhongqing Real Estate Co., Ltd. (無錫仲慶房地產開發有限公司): 100% equity interest in Wuxi Yongqing Real Estate Co., Ltd. held by it to be pledged in favour of Shanghai Shuo Cheng as the counter guarantee for the External Guarantees for Group Companies provided by Shanghai Shuo Cheng;
- (iii) Shanghai Oasis Garden Real Estate Co., Ltd. (上海綠洲花園置業有限公司): 100% equity interest in Jiaxing Lake Richgate Real Estate Co., Ltd. (嘉興湖畔華府置業有限公司) held by it to be pledged in favour of Shanghai Shuo Cheng as the counter guarantee for the External Guarantees for Group Companies provided by Shanghai Shuo Cheng;
- (iv) Qizhan Investment Co., Ltd. (啟展投資有限公司): upon the release of the existing pledge, 56% equity interest in Shanghai Skyway Hotel Co., Ltd. held by it to be pledged in favour of Shanghai Shuo Cheng as the counter guarantee for the External Guarantees for Group Companies provided by Shanghai Shuo Cheng;
- (v) Gaken Investment Limited (嘉勤投資有限公司) and Shunlink Investment Limited (上聯投資有限公司): upon the release of the existing pledge, total equity interest in Shanghai Jinxin Real Estate Co., Ltd. (上海金心置業有限公司) held by them, amounting to total capital contribution of RMB700 million, to be pledged in favour of Shanghai Shuo Cheng as counter guarantee for the External Guarantees for Group Companies provided by Shanghai Shuo Cheng;
- (vi) Wuxi Yongqing Real Estate Co., Ltd.: the land use rights for Wuxi project held by it (land use right certificate no.: Xi Xin Guo Yong (2011) No. 030 (錫新國用(2011)第030號)) to be pledged in favour of Shanghai Shuo Cheng or the Purchaser;
- (vii) Jiaxing Lake Richgate Real Estate Co., Ltd. (嘉興湖畔華府置業有限公司): the land use rights for Jiaxing Lake Richgate project held by it and the construction in progress erected thereon (land use right certificate no.: Jia Tu Guo Yong (2010) Nos. 413114 and 413113 (嘉土國用(2010)第413114號, 嘉土國用(2010)第413113號)) to be pledged in favour of Shanghai Shuo Cheng or the Purchaser; and
- (viii) the Vendor agrees to pledge 40% equity interest in the Target Company in favour of the Purchaser to guarantee its obligations and liabilities under the Sale and Purchase Agreement and to indemnify Shanghai Shuo Cheng for losses under the External Guarantees for Group Companies.

The Vendor shall complete the relevant procedures for registration within the term specified in the respective deed of pledge.

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## LETTER FROM THE BOARD

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Shanghai Shuo Cheng or the Purchaser shall unconditionally revoke all of the above counter guarantee measures if they have been put in place and cancel their registration (if such registration have been completed) immediately upon Shanghai Shuo Cheng's External Guarantees for Group Companies having been completely repealed.

- (3) After the Completion Date, in respect of the Shanghai Shuo Cheng External Guarantees (excluding the Shanghai Shuo Cheng's External Guarantee for External Companies) provided by Shanghai Shuo Cheng before the Completion Date, in the event that Shanghai Shuo Cheng has made good its payment obligations in favour of the creditors, in addition to having the right to claim against the respective debtor(s), the Purchaser and Shanghai Shuo Cheng also have the right to claim from the Vendor and/or the Company, at the option of the Purchaser. The Vendor and the Company shall immediately reimburse Shanghai Shuo Cheng for all such payments which it has made.

### **Basis of Consideration**

The Consideration comprises (i) approximately RMB322.6 million for the disposal of Sale Shares and (ii) approximately HK\$274.6 million (equivalent to RMB225.2 million based on the RMB:HK\$ exchange rate of 1:1.2194 announced by the People's Bank of China as at 30 September 2015 as agreed by the parties to the Sale and Purchase Agreement) for the disposal of Sale Loan. The Consideration is determined between the Purchaser and the Vendor after arm's length negotiations with reference to, among others (i) the Sale Loan; (ii) the investment cost of approximately HK\$457.6 million paid by the Target Company into Shuo Cheng; (iii) the consolidated net asset value of Shanghai Shuo Cheng of approximately RMB896.7 million as at 31 August 2015; and (iv) the reasons for and benefits of the Disposal stated in the sections headed "REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SALE AND PURCHASE AGREEMENT" and "FINANCIAL EFFECT OF THE DISPOSAL" in the "Letter from the Board" of this circular.

The Board is of the view that the consideration is fair and reasonable and on normal and commercial terms and the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole.

### **INFORMATION ON THE PURCHASER, THE VENDOR, THE TARGET COMPANY, SHANGHAI SHUO CHENG AND SHANGHAI ALBANY OASIS**

The Purchaser is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. The Purchaser is a wholly-owned subsidiary of China Vanke Co., Ltd., a company listed on both the Shenzhen Stock Exchange and the Stock Exchange.

The Vendor is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company. It is principally engaged investment holding.

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## LETTER FROM THE BOARD

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The Target Company is an indirectly wholly-owned subsidiary of the Company. It is principally engaged in investment holding. The principal assets of the Target Company are its equity interests in Shanghai Shuo Cheng. According to the unaudited financial statements of the Target Company prepared under the generally accepted accounting standards in Hong Kong, the Target Company recorded (i) net loss before taxation of approximately HK\$4,758 and net loss before taxation of approximately HK\$4,758 for the two years ended 31 December 2013 and 2014 respectively; and (ii) net loss after taxation of approximately HK\$4,758 and net loss after taxation of approximately HK\$4,758 for the two years ended 31 December 2013 and 2014 respectively. As at 30 April 2015, the unaudited net liabilities of the Target Company amounted to approximately HK\$38,056.

Shanghai Shuo Cheng is a company established and existing under the PRC laws with limited liability and a wholly-owned subsidiary of the Target Company. It is principally engaged in real estate and development, construction, operation, lease of properties and property management and club management of related commercial facilities.

The principal assets of Shanghai Shuo Cheng are the land use rights for land parcels located in Block 162 (Qiu 29 and 22), Block 251 (Qiu 21 and 1/911), Block 254 (Qiu 15/1, 15/2 and 15/3), Block 257 (Qiu 40) and Block 163 (Qiu 3), Baoshanlu Street, Zhabei District, Shanghai, China. The name of the project under development is SRE • Albany Oasis Garden (上置•綠洲雅賓利花園). According to the properties details as set out in the 2014 annual report of the Company, the project has a total gross floor area of 480,000 sq.m., among which, the total gross area of Phase III Land which is currently under development and on sale (but not delivered) is 159,500 sq.m., while the total gross area of Phase IV Land for which relocation has yet in commence is 185,500 sq.m. Besides, the sale of Phase I and Phase II of the project was completed.

According to the unaudited financial statements of Shanghai Shuo Cheng prepared under the generally accepted accounting standards in Hong Kong, Shanghai Shuo Cheng recorded (i) revenue of approximately RMB13,905,086 and approximately RMB19,624,400, (ii) net profit before taxation of approximately RMB15,402,864 and net loss before taxation of approximately RMB10,792,519, and (iii) net profit after taxation of approximately RMB11,034,758 and net loss after taxation of approximately RMB10,628,193 for the two years ended 31 December 2013 and 2014 respectively. As at 31 August 2015, the unaudited net asset value of Shanghai Shuo Cheng amounted to approximately RMB896.7 million.

As at the Latest Practicable Date, the Vendor holds the legal and beneficial interest in 100% equity interest in the Target Company, which in turn holds 100% legal and beneficial interest in Shanghai Shuo Cheng.

### **REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SALE AND PURCHASE AGREEMENT**

The Group is an integrated property developer and is principally engaged in the development and sale of residential and commercial properties in Shanghai, Shenyang and Haikou, the PRC, with a specific focus on the middle- to high-end residential properties. As an integrated property developer with a number of property projects at different stages of development, the Directors consider that it is key for the Group to optimise its resources to

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## LETTER FROM THE BOARD

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maintain its financials in a liquid position and to enhance the overall return for the Shareholders. Having considered that (i) the estimated net proceeds from the Disposal (after deducting the relevant fees and expenses) of approximately RMB545 million will help improve the Group's financial position, (ii) the estimated value of the Property agreed by the Vendor and the Purchaser is close to the Valuation (which is prepared by the Valuer following the entering into of the Sale and Purchase Agreement by the Group and the Purchaser); (iii) the net proceeds from the Disposal is crucial for alleviating the short-term capital needs of the Group in terms of repayment of its bank loans (for details, please also refer to the sections headed "Use of proceeds from the Subscription" and "Reasons for and Benefits of the Subscription" set out in "Letter from the Board" of the Subscription Circular); and (iv) the Disposal will help establish a business relationship between the Group and the parent of the Purchaser, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the entering into of the Disposal and the Sale and Purchase Agreement is in the interest of the Company and Shareholders as a whole.

The Purchaser is a wholly-owned subsidiary of China Vanke Co., Ltd.. China Vanke Co., Ltd. and its subsidiaries are professional real estate companies, mainly engaged in real estate development and property services and is one of the biggest real estate development operators in China. The Group intends to develop strategic cooperation with it, and the Disposal represents the first step of their strategic cooperation.

### FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will indirectly hold 40% of equity interest in the Target Company and the Target Company will no longer be a subsidiary but remain as an associated company of the Group. As such, the financial information of the Target Group will no longer be consolidated into the financial statements of the Group but will be accounted for using the equity method of accounting.

It is estimated that the Group will record a loss on Disposal of approximately RMB56.0 million, representing the Consideration, adding the fair value of 40% interest in Shanghai Shuo Cheng retained by the Group as an associated company of approximately RMB320.6 million as at 31 August 2015 derived from the Valuation, and less the carrying value of the consolidated net asset of Shanghai Shuo Cheng of approximately RMB896.7 million as at 31 August 2015 and the potential tax liabilities attributable to the Disposal of approximately RMB27.8 million that may be recurred in the Disposal and the consolidated net assets value of the Group upon Completion is expected to decrease accordingly. However, the final financial impact on the Group as a result of the Disposal will be subject to the financial position of the Target Company and Shanghai Shuo Cheng as at the Completion Date.

Despite the loss to be recorded on the Disposal, after considering that the net proceeds from the Disposal and the net proceeds from the Subscription of approximately HK\$1,486 million, are crucial for alleviating the short-term capital needs of the Group by the end of 2015, and all other reasons as aforementioned, the Company is of the view that the Disposal and the Sale and Purchase Agreement are in the interest of the Company and Shareholders as a whole.



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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As the applicable ratios in respect of the Disposal are greater than 25% but less than 75% pursuant to Chapter 14 of the Listing Rules, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Since to the best of the Directors' knowledge and information, and having made all reasonable enquires, no Shareholders have any material interest in the Sale and Purchase Agreement, accordingly, no Shareholders are required to abstain from voting if a general meeting of the Company were to convene to approve the relevant resolution regarding the transactions contemplated under the Sale and Purchase Agreement. The Company has received a written approval from SRE Investment, the controlling Shareholder which holds 2,889,659,128 Shares with voting rights (representing approximately 51.01% of the issued share capital and voting rights of the Company based on the 5,664,713,722 Shares in issue as at the Latest Practicable Date) in connection with the Disposal pursuant to Rule 14.44 of the Listing Rules, such written approval from SRE Investment can be accepted in lieu of holding a general meeting for purpose of approving the Disposal.

Yours faithfully,  
By Order of the Board  
**SRE Group Limited**  
**Wang Zi Xiong**  
*Co-chairman & Chief Executive Officer*

## 1. INDEBTEDNESS

**Borrowings**

As at 30 September 2015, being the Latest Practicable Date for this indebtedness statement, the details of the Group's outstanding borrowings were as follows:

		<b>30 September</b> <i>HK\$'000</i>
Bank borrowings – Secured	<i>(a)</i>	3,673,192
Bank borrowings – Unsecured		0
Other borrowings – Secured	<i>(b)</i>	3,207,055
Other borrowings – Unsecured		<u>548,239</u>
<b>Current portion</b>		<u>7,428,486</u>
Bank borrowings – Secured	<i>(a)</i>	7,443,203
Bank borrowings – Unsecured		0
Other borrowings – Secured	<i>(b)</i>	1,296,890
Other borrowings – Unsecured		<u>193,116</u>
<b>Non-current portion</b>		<u>8,933,209</u>
<b>Total</b>		<u><u>16,361,695</u></u>

(a) As at the close of business on 30 September 2015, the Group's bank borrowings of approximately HK\$11,117 million was secured by the pledges of certain bank deposits, leasehold land, investment properties, properties held or under development for sale, property, plant and equipment, part of future property pre-sales proceeds and an equity interest of a subsidiary. In addition, among the above bank borrowings, a bank loan of HK\$720 million was guaranteed by Mr. Shi Jian, the Chairman of the Company and Md. Si Xiao Dong, the spouse of Mr. Shi Jian. A bank loan of HK\$200 million was secured by pledge of private property held by Mr. Shi Jian.

(b) As at the close of business on 31 July 2015, the Group's other borrowings of approximately HK\$4,504 million was secured by the pledges of certain leasehold land, properties held or under development for sale and equity interests of certain subsidiaries. In addition, among the above other borrowings, a term loan with a principal of HK\$1,856 million was guaranteed by SREI and Mr. Shi Jian, and another term loan with a principal of HK\$634 million was guaranteed by Mr. Shi Jian.

**Contingent liabilities**

(1) The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the certain purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of

the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end when the purchasers pledge related properties certificates as securities to the banks for the mortgage loans granted by the banks. The Group entered into guarantee contracts of principal amounts totaling approximately HK\$170.9 million and these contracts were still effective as at the close of business on 30 September 2015.

- (2) Reference is made to the announcement of the Company on 24 September 2015 and the sub-section headed "Other Arrangement" in the section headed "Letter from the Board" in the Subscription Circular 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. For further details, please refer the abovementioned sub-section of this circular and the aforementioned announcement.
- (3) Save as aforesaid, and apart from intra-group liabilities and normal trade and other payable in the ordinary course of business of the Group, as at the close of business on 30 September 2012, the Group did not have any outstanding indebtedness in respect of any loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchases commitments, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

## **2. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the financial resources and credit facilities available to the Group, the net proceeds from the Disposal and the net proceeds from the Subscription, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

## **3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

After the Completion, the Company will receive net proceeds from the Disposal amounting to approximately HK\$545 million. With this amount of net proceeds and with the new equity money from the Subscription, the Company shall be able to meet its working capital needs and debt payment obligations for the coming year. After the completion of both the Disposal and the Subscription, with the improvement in its overall financial position, including in particular the reduction in its gearing ratio and the strong parentage, the Group will aim at speeding up the pace of development of the existing projects which have been progressing slowly due to financial constraints, and with the support of the new controlling shareholder, look for new opportunities to grow its business.

*The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 August 2015 of the property interests to be disposed by the Company.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Company Licence No.: C-030171

26 November 2015

The Board of Directors  
**SRE Group Limited**  
Suite 4006, 40/F  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

Sinopower Investment Limited (the "Vendor"), a wholly-owned subsidiary of SRE Group Limited (the "Company"), agreed to dispose of 60% equity interest in Mayson Resources Limited (the "Target Company", a wholly-owned subsidiary of the Company) and 60% of shareholder's loan. The principal assets of the Target Company are its equity interests in Shanghai Shuo Cheng Real Estate Co., Ltd. ("**Shanghai Shuo Cheng**") with the development of SRE ● Albany Oasis Garden in Shanghai. Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**we**") is instructed by the Company to provide valuation service on the properties in which Shanghai Shuo Cheng and its subsidiary (hereinafter together referred to as the "**Target Group**") have interests in the PRC for disclosure purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 August 2015 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests in Group I which are held for sale and Group IV which is contracted to be acquired by the Target Group by the comparison approach assuming sale of the properties in their exiting state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the

relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

We have valued the property interest in Group II which is held for investment by the Target Group by the income approach by taking into account the net rental income of the property derived from the existing lease or/and achievable in the existing market with due allowance for the reversionary income potential of the lease, which have been then capitalized to determine the market value at appropriate capitalization rate.

For the property in Group III which was under development as at the valuation date, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Target Group. In arriving at our opinion of value, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Target Group as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Target Group, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including the Real Estate Title Certificate and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be

attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Shanghai Yan Yi Ming Law Firm (上海嚴義明律師事務所), concerning the validity of the property interests in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us by the Target Group. We have also sought confirmation from the Target Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out from 10 August to 13 August 2015 by Ms. Gloria Wang, who is a qualified China Real Estate Appraiser and has 9 years' property valuation experience in the PRC.

All monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Eddie T. W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Director*

*Note:*

Eddie T.W. Yiu is a Chartered Surveyor who has 21 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

## Group I – Property interests held for sale by the Target Group in the PRC

<b>No. Property</b>	<b>Market value in existing state as at 31 August 2015 RMB</b>
1. 3 unsold retail units in Phase I of SRE ● Albany Oasis Garden No. 1 of 288 Nong, Zhonghua Xin Road Zhabei District Shanghai The PRC	58,586,000
2. 3 unsold retail units and 56 car parking spaces in Phase II of SRE ● Albany Oasis Garden Nos. 1-6 of 399 Nong, Baochang Road Zhabei District Shanghai The PRC	136,576,000
<b>Sub-total:</b>	<b><u>195,162,000</u></b>

## Group II – Property interest held for investment by the Target Group in the PRC

<b>No. Property</b>	<b>Market value in existing state as at 31 August 2015 RMB</b>
3. SRE ● Albany Oasis Garden Underground Retail Market Nos. 350 and 396 Zhonghua Xin Road Zhabei District Shanghai The PRC	361,482,000
<b>Sub-total:</b>	<b><u>361,482,000</u></b>

**Group III – Property interest held under development by the Group in the PRC**

<b>No. Property</b>	<b>Market value in existing state as at 31 August 2015 RMB</b>
4. Phases III of SRE ● Albany Oasis Garden under construction located at 16 Qiu of 254 block, Baoshan Road Zhabei District Shanghai The PRC	6,270,455,000
<b>Sub-total:</b>	<u><b>6,270,455,000</b></u>

**Group IV – Property interest contracted to be acquired for future development by the Target Group in the PRC**

<b>No. Property</b>	<b>Market value in existing state as at 31 August 2015 RMB</b>
5. A parcel of land located on the west of Zhiyuan Road, east of Tibet North Road, north of Zhonghua Xin Road and south of Tiantong An Road Zhabei District Shanghai The PRC	No commercial value (see note below)
<b>Sub-total:</b>	<u><b>Nil</b></u>
<b>Grand total:</b>	<u><u><b>6,827,099,000</b></u></u>

*Note:*

1. We attributed no commercial value to the property as the Target Group has not obtained the land use rights to the property. For reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB4,292,400,000 assuming all relevant title certificates have been obtained and the property could be freely transferred as a clear and vacant site.



## VALUATION CERTIFICATE

## Group I – Property interests held for sale by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2015 RMB
1.	3 unsold retail units in Phase I of SRE ● Albany Oasis Garden No. 1 of 288 Nong, Zhonghua Xin Road Zhabei District Shanghai The PRC	The property comprises 3 retail units in Phase I of SRE ● Albany Oasis Garden which is a residential development completed in 2007.  The units have a total gross floor area of approximately 1,238.03 sq.m.  The land use rights of Phase I of SRE ● Albany Oasis Garden have been granted for a term expiring on 30 September 2073 for residential use.	The property is currently vacant for sale.	58,586,000

*Notes:*

1. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Zha Zi (2007) Di No. 017880, various buildings of Phase I of SRE ● Albany Oasis Garden with a total gross floor area of approximately 74,582.61 sq.m. (including the property) are owned by Shanghai Albany Oasis Real Estate Development Co., Ltd. (“Shanghai Albany”, a wholly-owned subsidiary of Shanghai Shuo Cheng). The relevant land use rights of these buildings have been granted to Shanghai Albany for a term expiring on 30 September 2073 for residential use.
2. Unit address of the 3 retail units are set out as below:  
  
Unit Address
  - No.699 Zhongxing Road
  - Room 3 in level 1, No.3 of 288 Nong, Zhonghua Xin Road
  - Room 2 in level 1, No.4 of 288 Nong, Zhonghua Xin Road
3. A summary of major certificates/approvals is shown as follows:
 

a. Real Estate Title Certificate	Yes
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4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. Shanghai Albany has the ownership rights of the property;
  - b. the property is not subject to any mortgage or pledges; and
  - c. Shanghai Albany is entitled to lease, transfer and otherwise dispose of the property without outstanding fees.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2015 RMB
2.	3 unsold retail units and 56 car parking spaces in Phase II of SRE ● Albany Oasis Garden Nos 1-6 of 399 Nong, Baochang Road Zhabei District Shanghai The PRC	<p>The property comprises 3 retail units and 56 car parking spaces in Phase II of SRE ● Albany Oasis Garden which is a residential development completed in 2011.</p> <p>The retail units have a total gross floor area of approximately 2,427.28 sq.m.</p> <p>The land use rights of Phase II of SRE ● Albany Oasis Garden have been granted for a term expiring on 30 September 2073 for residential use.</p>	The property is currently vacant for sale.	136,576,000

*Notes:*

1. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Zha Zi (2011) Di No. 003652, various buildings of Phase II of SRE ● Albany Oasis Garden with a total gross floor area of approximately 61,377.57 sq.m. (including the property) are owned by Shanghai Shuo Cheng . The relevant land use rights of these buildings have been granted to Shanghai Shuo Cheng for a term expiring on 30 September 2073 for residential use.
2. Unit address of the 3 retail units are set out as below:
 

Unit Address

  - Level 1, Nos. 263-293 Baochang Road
  - Room 01-02 in level 1, No. 6 of 399 Nong, Baochang Road
  - Level 2, No. 6 of 399 Nong, Baochang Road
3. A summary of major certificates/approvals is shown as follows:
 

a. Real Estate Title Certificate	Yes
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4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - a. Shanghai Shuo Cheng has the ownership rights of the property;
  - b. the property is not subject to any mortgage or pledges; and
  - c. Shanghai Shuo Cheng is entitled to lease, transfer and otherwise dispose of the property without outstanding fees.

## VALUATION CERTIFICATE

## Group II – Property interest held for investment by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2015 RMB															
3.	SRE ● Albany Oasis Garden Underground Retail Market Nos. 350 and 396 Zhonghua Xin Road Zhabei District Shanghai The PRC	<p>SRE ● Oasis Garden Underground Retail Market is a 2-storey market in the basement of a landscaped area with an entrance space on the ground floor within a residential development, which was completed in 2011.</p> <p>The property has a total gross floor area (“GFA”) of approximately 23,657.38 sq.m. and the details are set out as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Level</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Entrance</td> <td>L1</td> <td>66.09</td> </tr> <tr> <td>Retail</td> <td>B1</td> <td>11,521.34</td> </tr> <tr> <td>Car parking spaces (301 spaces)</td> <td>B2</td> <td>12,069.95</td> </tr> <tr> <td><b>Total:</b></td> <td></td> <td><b><u>23,657.38</u></b></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term expiring on 14 October 2049 for commercial and car parking spaces uses.</p>	Usage	Level	GFA (sq.m.)	Entrance	L1	66.09	Retail	B1	11,521.34	Car parking spaces (301 spaces)	B2	12,069.95	<b>Total:</b>		<b><u>23,657.38</u></b>	The retail portion together with 100 car parking spaces have been leased to a tenant, whilst the remaining car parking spaces are rented out on a short-term basis.	361,482,000
Usage	Level	GFA (sq.m.)																	
Entrance	L1	66.09																	
Retail	B1	11,521.34																	
Car parking spaces (301 spaces)	B2	12,069.95																	
<b>Total:</b>		<b><u>23,657.38</u></b>																	

## Notes:

- Pursuant to 2 Shanghai Real Estate Title Certificates – Hu Fang Di Zha Zi (2012) Di Nos. 010488 and 010489 dated 28 August 2012, the property with a gross floor area of approximately 23,657.38 sq.m. is owned by Shanghai Shuo Cheng and the relevant land use rights of the property with a site area of approximately 12,384 sq.m. have been granted to Shanghai Shuo Cheng for a term commencing from 15 October 2009 and expiring on 14 October 2049 for commercial and car parking spaces uses.
- Pursuant to a Tenancy Agreement, the retail portion of the property with a total lettable area of approximately 12,560 sq.m. was leased to Tesco Commercial (Zhejiang) Co., Ltd., Zhonghua Xin Road Branch, for a term commencing from 11 January 2012 and expiring on 10 January 2032 at a current annual rent of RMB16,446,535. The daily rent was RMB3.5 per sq.m. for the first three years and will be increased by 2.5% every year from the fourth year.
- Pursuant to a clarification letter issued by Shanghai Shuo Cheng, 100 out of the total 301 underground car parking spaces in Basement Level 2 are provided to Tesco Commercial for free during the leasing period.

4. A summary of major certificates/approvals is shown as follows:
  - a. Real Estate Title Certificate Yes
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - a. Shanghai Shuo Cheng has the ownership rights of the property;
  - b. the property is subject to a mortgage and the mortgage contract is binding on both parties; and
  - c. Shanghai Shuo Cheng is entitled to use and lease the property without outstanding fees; and it also has the rights to dispose of the property under the permits of the mortgagor.

## VALUATION CERTIFICATE

## Group III – Property interest held under development by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2015 RMB												
4.	Phases III of SRE ● Albany Oasis Garden under construction located at 16 Qiu of 254 block, Baoshan Road Zhabei District Shanghai The PRC	<p>The property comprises Phase III of SRE ● Albany Oasis Garden which is a residential development currently under construction.</p> <p>It is well-served with public transportation and Zhongxing Road Station of Metro Line 8 is in the vicinity of the property. The surrounding environment is a newly developed residential area with street front shops, schools, and landscaped area.</p> <p>As advised by Shanghai Shuo Cheng, the property is scheduled to be completed in August 2016. Upon completion, the property will have a total gross floor area (“GFA”) of approximately 214,577.02 sq.m., and the details are set out as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>159,198.71</td> </tr> <tr> <td>Retail</td> <td>1,157.96</td> </tr> <tr> <td>Car parking spaces (766 spaces)</td> <td>37,798.94</td> </tr> <tr> <td>Ancillary</td> <td><u>16,421.41</u></td> </tr> <tr> <td><b>Total:</b></td> <td><b><u>214,577.02</u></b></td> </tr> </tbody> </table> <p>As advised by Shanghai Shuo Cheng, the total construction cost of the property is estimated to be approximately RMB7,993 million, of which RMB6,237 million had been paid up to the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 30 September 2073 for residential use.</p>	Usage	GFA (sq.m.)	Residential	159,198.71	Retail	1,157.96	Car parking spaces (766 spaces)	37,798.94	Ancillary	<u>16,421.41</u>	<b>Total:</b>	<b><u>214,577.02</u></b>	The property is currently under construction.	6,270,455,000
Usage	GFA (sq.m.)															
Residential	159,198.71															
Retail	1,157.96															
Car parking spaces (766 spaces)	37,798.94															
Ancillary	<u>16,421.41</u>															
<b>Total:</b>	<b><u>214,577.02</u></b>															

## Notes:

- Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Zha Zi (2013) Di No. 000303, the land use rights of a parcel of land, on which the property is situated, with a site area of approximately 54,499 sq.m. have been granted to Shanghai Shuo Cheng for a term expiring on 30 September 2073 for residential use.

2. Pursuant to a Construction Work Planning Permit – Hu Zha Jian (2013) No. FA31010820134085 in favour of Shanghai Shuo Cheng, the property with a GFA of approximately 215,753.45 sq.m. has been approved for construction.
3. Pursuant to 3 Construction Work Commencement Permits – Nos. 0301ZB0333D09 to 0301ZB0333D11 in favour of Shanghai Shuo Cheng, permission by the relevant local authority was given to commence the construction of the property with a GFA of approximately 215,753.45 sq.m.
4. Pursuant to a Real Estate Measurement Report, the property when completed would have a GFA of approximately 214,577.02 sq.m. In the valuation of the property, the development parameters we relied on are compliance with the data stated in the Real Estate Measurement Report.
5. Pursuant to 3 Pre-sales Permits – Zha Bei Fang Guan (2014) Yu Zi Di Nos. 0000293, 0000562 and 0000175 in favour of Shanghai Shuo Cheng, it is entitled to sell 6 buildings of the property with a total GFA of approximately 96,608.93 sq.m. to purchasers.
6. As advised by Shanghai Shuo Cheng, various residential units of the property (comprising a total gross floor area of approximately 53,896 sq.m.) have been pre-sold to various third parties at a total consideration of RMB3,333,434,665. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portion of the property.
7. We are of the opinion that market value of the property as if completed as at the valuation date would be RMB10,131,000,000.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - a. Shanghai Shuo Cheng has paid the land premium in respect of the property in full and it has legally acquired the land use rights of the property;
  - b. the Real Estate Title Certificate, Construction Work Planning Permit, Construction Work Commencement Permits and Pre-sales Permits that have been obtained by Shanghai Shuo Cheng are legal and valid;
  - c. the property is subject to a mortgage and the mortgage contract is binding on both parties;
  - d. Shanghai Shuo Cheng has the rights to sell the units under the Pre-sales Permits stated in note 5; and
  - e. Shanghai Shuo Cheng has the rights to transfer the land of the property, however, the assignment shall be notified in advance and shall not impair the mortgagor's interests.
9. A summary of major certificates/approvals is shown as follows:
 

a. Real Estate Title Certificate (for land only)	Yes
b. Construction Work Planning Permit	Yes
c. Construction Work Commencement Permit	Yes
d. Pre-sales Permit	Portion
e. Construction Work Completion and Inspection Certificate/Table	N/A

## VALUATION CERTIFICATE

## Group IV – Property interest contracted to be acquired for future development by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2015 RMB
5.	A parcel of land located on the west of Zhiyuan Road, east of Tibet North Road, north of Zhonghua Xin Road and south of Tiantong An Road, Zhabei District Shanghai The PRC	The property, known as Phase IV of SRE ● Albany Oasis Garden, comprises a parcel of land with a site area of approximately 43,800 sq.m. It is planned to be developed into a complex development with residential, office, retail and some ancillary facilities.  The land use rights of the property have been granted for a term expiring on 30 September 2073 for residential use.	The property is currently occupied by old buildings to be demolished.	No commercial value

*Notes:*

- Pursuant to a Shanghai State-owned Land Use Rights Grant Contract – Hu Fang Di Zha (2003) Chu Rang He Tong No. 92 dated 25 July 2003 entered into between the Shanghai Zhabei District Building and Land Resources Bureau (上海市閘北區房屋土地管理局) and Shanghai Shuo Cheng, the land use rights of a parcel of land with a site area of approximately 143,970 sq.m (including the land parcels of Phases I to IV of SRE ● Albany Oasis Garden of which real estate title certificates had been issued for the land parcels of Phases I to III) were contracted to be granted to Shanghai Shuo Cheng for a term expiring on 30 September 2073 for residential use. The land premium was RMB1,569,806.

As advised by Shanghai Shuo Cheng, the site area of the property is approximately 43,800 sq.m.

- The property is currently occupied by old buildings to be demolished and we have not been provided with any removal or construction plan.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - as the land of the property has not been cleared, Shanghai Shuo Cheng has not obtained the land use rights of the property.
- In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB4,292,400,000 assuming all relevant title certificates have been obtained and the property could be freely transferred as a clear and vacant site.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### 2.1 Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

#### *Long position in Shares*

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	13,006,991	2,324 <i>(Note 1)</i>	2,889,659,128 <i>(Note 2)</i>	2,902,668,443	51.24%
Zhuo Fumin	–	160,000 <i>(Note 3)</i>	–	160,000	0.003%

#### *Notes:*

- These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.
- These 2,889,659,128 Shares were held by SRE Investment. As Mr. Shi Jian and his spouse, Md. Si Xiao Dong together beneficially own 66% of the issued share capital of SRE Investment, Mr. Shi was deemed to be interested in these 2,889,659,128 Shares.
- These Shares were held by Md. He Pei Pei, the spouse of Mr. Zhuo Fumin.

Save as disclosed in this paragraph 2.1 of this Appendix, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO)



which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, save as disclosed in the notes to paragraph 2.2 of this Appendix below, none of the Directors was a director or employee of a company which had any interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 2.2 Interests of substantial shareholders

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered into the register to be kept by the Company pursuant to section 336 of the SFO:

### *Long positions in Shares*

Name of Shareholder	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of shareholding
Si Xiao Dong	Beneficial owner, spouse and corporate interest	2,902,668,443 (L) (Note 2)	51.24%
SRE Investment	Beneficial owner	2,889,659,128 (L)	51.01%
China Minsheng Investment	Interest in controlled corporation	12,500,000,000 (L) (Note 3)	220.66%
China Minsheng Jiaye	Beneficial owner	12,500,000,000 (L)	220.66%

### *Notes:*

- (1) "L" represents long positions in Shares.
- (2) These Shares comprised 2,324 Shares held by Md. Si Xiao Dong, 13,006,991 Shares held by her spouse, Mr. Shi Jian and 2,889,659,128 Shares which SRE Investment was interested in.

- (3) China Minsheng Jiaye is owned as to 100% by China Minsheng Investment. China Minsheng Investment is therefore deemed to be interested in the Shares to be held by China Minsheng Jiaye upon the Subscription completion for the purpose of SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, other than contracts expiring or terminable by the Company within one year without payment of compensation other than statutory compensation.

### 4. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
JLL	Independent valuer

JLL has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and references to its names in the form and context in which they appear.

As at the Latest Practicable Date, JLL did not have any interest in the share capital of any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

### 5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

### 6. COMPETING INTERESTS

As at the Latest Practicable Date, neither the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### 7. DIRECTORS' AND EXPERT'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) Neither the Directors nor JLL had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up.

- (b) As at the Latest Practicable Date, except for the Financing Transactions as disclosed in the announcement dated 24 September 2015, neither the Directors nor JLL was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) a guarantee contract dated 19 December 2013 executed by the Company as a guarantor to secure the repayment obligations of Black Eagle (Shanghai) Investment Management Limited 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 with a total loan amount of RMB1,300,000,000 (HK\$1,586,000,000). Further details are contained in the Company's announcement dated 24 September 2015 and the sub-section headed "Other Arrangement" in the section headed "Letter from the Board" in the Subscription Circular;
- (b) a guarantee contract dated 30 July 2014 executed by the Company Wuxi Yongqing Real Estate Co., Ltd. (98.75%-owned subsidiary of the Company), and Shanghai Shuo Cheng Real Estate Co., Ltd. (a wholly-owned subsidiary of the Company) as guarantors to secure the repayment obligations of Shanghai Golden Luodian Development Co., Ltd. under the loan agreement between Shanghai Golden Luodian Development Co., Ltd. (as borrower) and Bank B (as lender) dated 29 October 2009 for a loan of RMB600,000,000 (HK\$732,000,000). Further details are contained in the Company's announcement dated 24 September 2015 and the sub-section headed "Other Arrangement" in the section headed "Letter from the Board" in the Subscription Circular;
- (c) a guarantee contract dated 30 July 2014 executed by the Company, Wuxi Yongqing Real Estate Co., Ltd. (98.75%-owned subsidiary of the Company) and Shanghai Shuo Cheng Real Estate Co., Ltd. (a wholly-owned subsidiary of the Company) as guarantors to secure the repayment obligations of Malaren Hospital Assets) under the loan agreement between Shanghai Lake Malaren Hospital Investment Co., Ltd. (as borrower) and Bank B (as lender) dated 12 June 2012 with a loan amount of RMB450,000,000. Further details are contained in the Company's announcement dated 24 September 2015 and the sub-section headed "Other Arrangement" in the section headed "Letter from the Board" in the Subscription Circular;
- (d) a property mortgage contract dated 1 September 2014 executed by Shanghai Anderson Fuxing Land Co., Ltd. (a 51.48%-owned subsidiary of the Company) as a chargor to pledge a property it owns in favour of Bank C to secure the repayment obligations of Shanghai Lake Malaren Obstetrical and Gynecological Hospital Investment Co., Ltd. under the loan agreement between Shanghai Lake

Malaren Obstetrical and Gynecological Hospital Investment Co., Ltd. (as borrower) and Bank C (as lender) dated 1 September 2014 for a loan of RMB30,000,000 (HK\$36,600,000). Further details are contained in the Company's announcement dated 24 September 2015 and the sub-section headed "Other Arrangement" in the section headed "Letter from the Board" in the Subscription Circular;

- (e) a guarantee contract dated 19 September 2014 executed by the Company as a guarantor to secure the repayment obligations of Chengdu Shanghai Real Estate Co., Ltd. under the loan agreement between Chengdu Shanghai Real Estate Co., Ltd. (as borrower) and Bank D (as lender) dated 19 December 2014 with a loan amount of RMB400,000,000 (HK\$488,000,000). Further details are contained in the Company's announcement dated 24 September 2015 and the sub-section headed "Other Arrangement" in the section headed "Letter from the Board" in the Subscription Circular;
- (f) a memorandum of understanding dated 5 June 2015 entered between the Company, Poly Real Estate Group Co., Ltd. and SRE Investment Holding Limited under which Poly Real Estate Group Co., Ltd expressed an interest to subscribe for Shares to be allotted and issued by the Company for subscription at HK\$0.25 per Share. Further details are contained in the Company's announcement dated 9 June 2015;
- (g) a termination agreement dated 14 August 2015 entered between the Company, Poly Real Estate Group Co., Ltd. and SRE Investment Holding Limited to terminate the memorandum of understanding dated 5 June 2015 by mutual consent. Further details are contained in the Company's announcement dated 14 August 2015;
- (h) a memorandum of understanding dated 12 September 2015 entered between the Company, China Minsheng Jiaye Investment Co., Ltd and SRE Investment Holding Limited under which China Minsheng Jiaye Investment Co., Ltd 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;
- (i) the subscription agreement dated 9 October 2015 in relation to the Subscription; and
- (j) the Sale and Purchase Agreement.

## 9. GENERAL

- (a) Reference is made to the announcement of the Company dated 2 October 2015. The Company is in the process of identifying suitable candidate to fill in the vacancy of company secretary of the Company. Further announcement will be published once such appointment is confirmed.

- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the Head office and principal place of business in Hong Kong is at Suite 4006, 40/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The Company's principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited at The Belvedere Building, 69 Pitts Bay Road, Pembroke MH08, Bermuda.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection from 9:00 am to 5:00 pm on any weekday other than public holidays, at the principal place of business of the Company at Suite 4006, 40/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 10 December 2015 (being not less than 14 days from the date of this circular):

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;
- (c) the valuation report on the Property prepared by the Valuer, the text of which is set out on pages II-1 to II-12 in this circular;
- (d) the written consents referred to in the paragraph headed "Expert and consent" in this Appendix;
- (e) the annual reports of the Company for the two financial years ended 31 December 2013 and 31 December 2014;
- (f) the interim report of the Company for the six months ended 30 June 2015;
- (g) circulars issued by the Company since 31 December 2014; and
- (h) this circular.