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SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

**DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF THE EQUITY INTEREST
IN SHANGHAI SKYWAY HOTEL CO., LTD.**

THE EQUITY TRANSFER AGREEMENT

On 18 March 2016 (after trading hours), All Pride and Great Wall entered into the Equity Transfer Agreement, pursuant to which All Pride agreed to sell and Great Wall agreed to purchase 56% equity interest in Shanghai Skyway for a consideration of RMB643,104,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceed(s) 5% but is/are less than 25%, the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements.

Great Wall is a substantial shareholder of Shanghai Skyway and hence a connected person of the Company. Therefore, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As Great Wall is a connected person only because of its connection with Shanghai Skyway, it is a connected person at the subsidiary level under the Listing Rules and the Disposal is therefore only subject to the reporting and announcement requirements, and is exempt from circular, independent financial advice and shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules. The Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal are fair and reasonable, the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INTRODUCTION

On 18 March 2016 (after trading hours), All Pride and Great Wall entered into the Equity Transfer Agreement, pursuant to which All Pride agreed to sell and Great Wall agreed to purchase 56% equity interest in Shanghai Skyway for a cash consideration of RMB643,104,000.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as follows:

Date

18 March 2016 (after trading hours)

Parties

- (a) All Pride, as seller
- (b) Great Wall, as purchaser

Great Wall is a substantial shareholder holding 35% equity interest in Shanghai Skyway and hence a connected person of the Company. As Great Wall is a connected person only because of its connection with Shanghai Skyway, it is a connected person at the subsidiary level under the Listing Rules.

Subject matter

All Pride agreed to sell and Great Wall agreed to purchase the Target Shares, being 56% equity interest in Shanghai Skyway, subject to the terms and conditions of the Equity Transfer Agreement.

Consideration

The Consideration payable by Great Wall to All Pride amounts to RMB643,104,000 in cash, which shall be settled by Great Wall in the following manner:

- (a) first instalment: 60% of the Consideration (which amounts to RMB385,862,400) shall be payable by Great Wall within 3 days after (i) the Equity Transfer Agreement has become effective (i.e. upon, among others, approval of the Shanghai Municipal Commission of Commerce for the Equity Transfer Agreement and the transactions contemplated thereunder); (ii) the Target Shares have become free from any security interest or encumbrance of any kind; and (iii) completion of the handover procedures as prescribed in the Equity Transfer Agreement (including but not limited to the delivery by All Pride to Great Wall of all tangible assets, title documents of real properties, contracts, certificates and permits, stamps and other documents and records relating to the businesses of Shanghai Skyway).

(b) second instalment: 38% of the Consideration (which amounts to RMB244,379,520) shall be payable by Great Wall within 10 days after (i) all receivables between All Pride and Shanghai Skyway have been settled; and (ii) registration of the transfer of the Target Shares to Great Wall with the relevant industrial and commercial administrative authority.

(c) third instalment: 2% of the Consideration (which amounts to RMB12,862,080) shall be payable by Great Wall within 1 year after the Equity Transfer Agreement has become effective provided that (i) transfer of the Target Shares to Great Wall has completed and (ii) all senior management personnel at Shanghai Skyway appointed by All Pride have been replaced in accordance with the Equity Transfer Agreement.

Pursuant to the Equity Transfer Agreement, Great Wall has the right to deduct from the said amount of RMB12,862,080 such amount of loss suffered by itself or Shanghai Skyway as a result of breach by All Pride of its undertakings and/or representations and warranties under the Equity Transfer Agreement.

The Consideration was determined after arm's length negotiations between All Pride and Great Wall with reference to the unaudited net asset value of Shanghai Skyway as at 31 July 2015 and the appreciation of assets of Shanghai Skyway based on the appraisal by Wanlong (Shanghai) Asset Valuation Co., Ltd. as at 31 July 2015.

The Board (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement, which have been reached after arm's length negotiations between the parties, are fair and reasonable, and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Completion of the Disposal

Pursuant to the Equity Transfer Agreement, All Pride shall procure Shanghai Skyway to file an application for registration of the transfer of the Target Shares to Great Wall with the relevant industrial and commercial administrative authority in the PRC. Completion of such registration shall be treated as completion of the Disposal.

Guarantee by the Company

Pursuant to the Equity Transfer Agreement, All Pride shall procure the Company (as the shareholder of All Pride) to provide an irrevocable joint and several guarantee in favour of Great Wall for the liabilities of All Pride under the Equity Transfer Agreement for the loss suffered by Great Wall or Shanghai Skyway arising from liabilities and contingent liabilities of Shanghai Skyway which have not been disclosed in the Equity Transfer Agreement. The Company has provided such irrevocable joint and several guarantee on 18 March 2016 (after trading hours).

Default

If either All Pride or Great Wall fails to perform its undertaken obligations under the Equity Transfer Agreement and thereby the non-defaulting party decides to terminate the Equity Transfer Agreement, the defaulting party shall, within 10 days after receiving written termination notice from the other party, pay RMB38,586,240 (being 10% of the first instalment of the Consideration) in cash to the non-defaulting party as liquidated damages, but the defaulting party shall still be liable for the direct economic loss suffered by the non-defaulting party in excess of such liquidated damages. Any part of the Consideration paid by Great Wall to All Pride shall be returned to Great Wall.

INFORMATION OF SHANGHAI SKYWAY

Shanghai Skyway was established as a limited liability company on 9 December 2002 in accordance with the laws of the PRC. Shanghai Skyway is principally engaged in property development and hotel operation and management. It currently owns majority interest in the Skyway Pullman Hotel in Shanghai, the PRC.

Financial information of Shanghai Skyway

Set out below is certain unaudited financial information of Shanghai Skyway for each of the two years ended 31 December 2014 and 2015:

	For the year ended 31 December 2015	For the year ended 31 December 2014
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Revenue	232,574	254,307
Profit (loss) before taxation	(50,448)	(54,666)
Net profit (loss) after taxation	(53,735)	(194,949)
Net profit (loss) attributable to the Group	(29,780)	(108,041)
Net asset value	84,229	157,860
Share of net asset value to the Group	46,680	87,486

The aforesaid unaudited financial information of Shanghai Skyway is for illustration purposes and is prepared based on the management accounts of Shanghai Skyway.

INFORMATION OF THE GROUP

The Group is an integrated real estate developer focusing on high-quality development projects and renewal projects in first-tier cities in the PRC, in particular core areas in Shanghai, which is geographically the base for the Group's property development business. While the Group is mainly focusing on high-quality property development, it will also seek to explore new opportunities in urban development and renewal, medical and senior properties and cultural tourism and innovative technology properties, aiming at becoming a fully integrated trans-sector property developer.

INFORMATION OF GREAT WALL

Great Wall was established as a limited liability company in accordance with the laws of the PRC. Great Wall is principally engaged in real estate development and management.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS FROM THE DISPOSAL

Upon Completion, Shanghai Skyway will cease to be a subsidiary of the Company, and its financial results will cease to be consolidated to the financial statements of the Company.

As a result of the Disposal, subject to further audit procedures to be performed by the auditors of the Company, the Group is expected to record an unaudited gain on the Disposal of approximately HK\$502,467,264 with reference to the net proceeds from the Disposal and the unaudited net asset value of the Target Shares at the Group level as at 31 December 2015 in the amount of RMB46,679,794.

It is intended that the proceeds from the Disposal will be used as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The business environment for the hotel businesses engaged by Shanghai Skyway has been competitive in recent years. Shanghai Skyway had recorded negative operating results for the financial year ended 31 December 2015. In this connection, the Board has been reviewing the operations of Shanghai Skyway whose performance has adversely affected the financial performance of the Group as a whole. In view of this, the Board considers it beneficial for the Group to dispose of a business with limited growth prospect and reallocate the Group's resources to focus on the existing businesses and future business opportunities with higher growth potential.

Having regard to the reasons for and benefits of the Disposal, the Board (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement, which have been reached after arm's length negotiations between the parties, are fair and reasonable, and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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To the best of the Board's knowledge, information and belief having made all reasonable enquiries, no Directors have a material interest in the Equity Transfer Agreement and the Disposal, and no Directors have abstained from voting on the board resolution approving the Equity Transfer Agreement and the Disposal.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“All Pride”	All Pride Investments Limited (啟展投資有限公司), a company incorporated in Hong Kong with limited liability and an indirect subsidiary of the Company
“Board”	the board of Directors
“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 Disposal in accordance with the Equity Transfer Agreement

“connected person”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	RMB643,104,000, being the consideration of the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 56% equity interest in Shanghai Skyway by All Pride under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 18 March 2016 and entered into between All Pride and Great Wall in relation to the Disposal
“Great Wall”	Great Wall Guofu Real Estate Co., Ltd.* (長城國富置業有限公司), a company established in the PRC with limited liability which holds 35% equity interest in Shanghai Skyway as at the date of this announcement and prior to Completion
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Shareholders”	registered holders of the Shares from time to time
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Shanghai Skyway”	Shanghai Skyway Hotel Co., Ltd.* (上海斯格威大酒店有限公司), a company established in the PRC with limited liability and owned as to 56% by All Pride and 35% by Great Wall as at the date of this announcement and prior to Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Shares” the 56% equity interest in Shanghai Skyway held by All Pride as at the date of this announcement and prior to Completion

“%” per cent

By Order of the Board

SRE Group Limited

He Binwu

Chairman

Hong Kong, 18 March 2016

As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. He Binwu, Mr. Wang Zi Xiong, Mr. Peng Xinkuang, Mr. Shi Janson Bing, Mr. Chen Chao, Mr. Zhu Qiang and Mr. Zhao Xiaodong; and three independent non-executive Directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai and Mr. Guoping.

**For identification purpose only*