THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION
(2) RE-ELECTION OF DIRECTORS
AND
(3) NOTICE OF SGM

Financial Adviser to SRE Group Limited

川盟融資有限公司
Chanceton Capital Partners Limited

Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders

AMASSE CAPITAL
寶 積 資 本

A letter from the Board is set out on pages 6 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from Amasse Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 42 of this circular.

A notice convening the SGM of the Company to be held at Suites 1001-1004, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong, on Wednesday, 6 July 2016, at 3:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, please complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable, but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and, in such event, the instrument appointing a proxy will be deemed to be revoked.

* *For identification purpose only*

16 June 2016

CONTENTS

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

"Acquisition"	acquisition of the Target Assets and repayment of the Loan as contemplated under the Acquisition Master Agreement
"Acquisition Master Agreement"	a conditional agreement dated 20 April 2016 entered into between the Company, CNTD and SREI in relation to the Acquisition
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday in Hong Kong or the PRC) on which banks are generally open for business in Hong Kong and the PRC
"Chengdu Real Estate"	Chengdu Shanghai Real Estate Co., Ltd. (成都上置置業有限公司), a company established under the laws of the PRC and directly wholly-owned by Luodian Co
"CNTD"	China New Town Development Company Limited, a company incorporated in the British Virgin Islands with limited liability, whose shares are listed on both the Stock Exchange and The Singapore Exchange Securities Trading Limited
"Company"	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
"Consideration"	RMB1,315,198,723, being the consideration of the Acquisition
"Director(s)"	the director(s) of the Company
"DTZ"	DTZ Cushman & Wakefield Limited, an independent property valuer appointed by the Company
"SGM"	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve (among other things) the Acquisition Master Agreement and the transactions contemplated thereunder

"Enlarged Group"	the Group and Chengdu Real Estate, Malaren Hospital, Malaren Commercial, Malaren Corporate and Malaren Development upon completion of the Acquisition
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Guoping and Mr. Ma Lishan, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the Acquisition
"Independent Financial Adviser"	Amasse Capital Limtied, a corporation licensed to conduct type 6 (advising in corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of, among other things, the Acquisition
"Independent Shareholders"	the Shareholders who are not involved in or interested in the Acquisition Master Agreement and the transactions contemplated thereunder and are not required under the Listing Rules to abstain from voting at the SGM, being all Shareholders except SREI, Mr. Shi Jian, Madam Si Xiao Dong and their respective associates
"Latest Practicable Date"	14 June 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Loan"	where the Target Assets relate to interests in a company, refers to loans due from such company to CNTD and/or its subsidiaries (other than the Target Assets), and in other circumstances, refers to certain loans due from the company holding the relevant Target Assets to CNTD and/or its subsidiaries (other than the Target Assets) as at 30 June 2013
"Luodian Co"	Shanghai Golden Luodian Development Co., Ltd. (上海金羅店開發有限公司), a company established under the laws of the PRC and owned as to 45.26% by Meeko Investment Limited (美高投資有限公司), a wholly-owned subsidiary of CNTD, 27.37% by Shanghai Jiatong Enterprises Co., Ltd. (上海嘉通實業有限公司), a wholly-owned subsidiary of CNTD, and 27.37% by Shanghai Luodian Asset Operation Investment Co., Ltd. (上海羅店資產經營投資有限公司)
"Malaren Commercial"	Shanghai Lake Malaren Commercial Management Co., Ltd. (上海美蘭湖商業管理有限公司), a company established under the laws of the PRC and owned as to 45.26% by Meeko Investment Limited (美高投資有限公司), a wholly-owned subsidiary of CNTD, 27.37% by Shanghai Jiatong Enterprises Co., Ltd. (上海嘉通實業有限公司), a wholly-owned subsidiary of CNTD, and 27.37% by Shanghai Luodian Asset Operation Investment Co., Ltd. (上海羅店資產經營投資有限公司)
"Malaren Corporate"	Shanghai Lake Malaren Corporate Development Co., Ltd. (上海美蘭湖企業發展有限公司), a company established under the laws of the PRC and owned as to 45.26% by Meeko Investment Limited (美高投資有限公司), a wholly-owned subsidiary of CNTD, 27.37% by Shanghai Jiatong Enterprises Co., Ltd. (上海嘉通實業有限公司), a wholly-owned subsidiary of CNTD, and 27.37% by Shanghai Luodian Asset Operation Investment Co., Ltd. (上海羅店資產經營投資有限公司)

"Malaren Development"	Shanghai Lake Malaren Real Estate Development Co., Ltd. (上海美蘭湖房地產開發有限公司), a company established under the laws of the PRC and owned as to 45.26% by Meeko Investment Limited (美高投資有限公司), a wholly-owned subsidiary of CNTD, 27.37% by Shanghai Jiatong Enterprises Co., Ltd. (上海嘉通實業有限公司), a wholly-owned subsidiary of CNTD, and 27.37% by Shanghai Luodian Asset Operation Investment Co., Ltd. (上海羅店資產經營投資有限公司)
"Malaren Hospital"	Shanghai Lake Malaren Hospital Investment Co., Ltd. (上海美蘭湖醫院投資有限公司), a company established under the laws of the PRC and directly wholly-owned by Luodian Co
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	registered holder(s) of the Shares from time to time
"Shares"	ordinary shares of HK$0.10 each in the capital of the Company
"SREI"	SRE Investment Holding Limited, a substantial Shareholder currently holding approximately 14.05% of the issued share capital of the Company, and therefore a connected person of the Company under the Listing Rules
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Assets"	certain assets of CNTD being the subject matter of the Acquisition Master Agreement, details of which are more particularly set out under the section headed "Letter from the Board – The Acquisition – Subject matter" in this circular, and each of which is individually defined as a "Target Asset"
"%"	per cent

In this circular, unless the context otherwise requires, the terms "associate(s)", "connected person(s)", "connected transaction(s)", "controlling shareholder(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments.

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

Board of Directors:
Mr. He Binwu *(Chairman)*
Mr. Peng Xinkuang *(Chief Executive Officer)*
Mr. Shi Janson Bing
Mr. Chen Chao
Mr. Zhu Qiang
Mr. Chen Donghui
Ms. Qin Wenying
Mr. Zhuo Fumin*
Mr. Chan, Charles Sheung Wai*
Mr. Guoping*
Mr. Ma Lishan*

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Suite 4006, 40/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

** independent non-executive Directors*

16 June 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION
(2) RE-ELECTION OF DIRECTORS
AND
(3) NOTICE OF SGM

INTRODUCTION

On 10 October 2013, CNTD and SREI entered into an agreement (the "**Disposal Agreement**"), pursuant to which CNTD conditionally agreed to sell, and SREI conditionally agreed to purchase certain assets (the "**Disposal Assets**"). The Disposal Agreement also provides that the parties thereto may after discussion agree to dispose of any part of the Disposal Assets to a third party other than SREI and its subsidiaries. As at the Latest Practicable Date, completion for the sale and purchase of all the Disposal Assets has not taken place.

Reference is made to the announcement of the Company dated 20 April 2016 in relation to the Acquisition. On 20 April 2016 (after trading hours), the Company entered into the Acquisition Master Agreement with CNTD and SREI, pursuant to which CNTD has, among others, conditionally agreed to sell or procure the sale of, and the Company has conditionally agreed to purchase or procure the purchase of, the Target Assets (which form part of the Disposal Assets). Pursuant to the Acquisition Master Agreement, the Consideration for the Acquisition is RMB1,315,198,723 in cash, comprising approximately RMB238 million as consideration for the Target Assets and approximately RMB1,077 million for the repayment of the Loan.

The purpose of this circular is to provide the Shareholders with (i) further details of the Acquisition and the Acquisition Master Agreement; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; (iv) the notice of the SGM; and (v) other information as required under the Listing Rules.

THE ACQUISITION

The principal terms of the Acquisition Master Agreement are set out as follows:

Date

20 April 2016 (after trading hours)

Parties

(a) the Company (as purchaser);

(b) CNTD (as seller); and

(c) SREI

SREI is a substantial Shareholder holding approximately 14.05% of the total issued share capital of the Company as at the date of the Acquisition Master Agreement, and therefore is a connected person of the Company under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (a) SREI is a shareholder of CNTD holding approximately 14.91% of the total issued share capital of CNTD; and (b) CNTD and its ultimate beneficial owner (except for SREI) are third parties independent of the Company and connected persons of the Company (except for SREI).

Subject matter

Subject to the terms and conditions of the Acquisition Master Agreement, (i) CNTD has conditionally agreed to sell or procure the sale of, and the Company has conditionally agreed to purchase or procure the purchase of, the Target Assets and (ii) the Company has conditionally agreed to repay or procure the repayment of the Loan.

Set out below are detailed information of the Target Assets.

(a) 100% equity interest in Chengdu Real Estate

Chengdu Real Estate is a limited liability company established in the PRC on 20 December 2010 and is a wholly-owned subsidiary of Luodian Co. The registered capital of Chengdu Real Estate is RMB20,000,000 which has been fully paid up. The principal activities of Chengdu Real Estate are real estate development and operation, import and export of goods and technology and property management.

Chengdu Real Estate holds the entire interest in Chengdu Albany Oasis Garden Project, a commercial and residential development under construction with a site area of approximately 90,981.84 square meters. The development is held with land use rights for terms due to expire on 28 December 2050, 28 December 2060 and 28 December 2080 for commercial use, public service use and residential use, respectively. Phase 1 of Chengdu Albany Oasis Garden Project had been completed in February 2015, while Phase 2 of the project is currently under development and is expected to be completed in the year 2018.

The market value in existing state of (i) unsold portion of the completed Phase 1; (ii) the under construction development known as Part 1 of Phase 2; and (iii) development site for the proposed development known as Part 2 of Phase 2, of Chengdu Albany Oasis Garden Project as at 31 March 2016 valued by DTZ were RMB66,000,000, RMB328,000,000 and RMB261,200,000 respectively.

(b) 100% equity interest in Malaren Hospital

Malaren Hospital is a limited liability company established in the PRC on 16 March 2009 and is a wholly-owned subsidiary of Luodian Co. The registered capital of Malaren Hospital is RMB200,000,000 which has been fully paid up. The principal activities of Malaren Hospital are hospital investment, healthcare consultation and public facilities.

Malaren Hospital holds the entire interest in Lake Malaren Maternity Hospital Project located in Shanghai Luodian New Town, a hospital development with a site area of approximately 34,192 square meters. The development is held with land use rights for a term of 50 years due to expire on 4 March 2062 for health care and sanitary use. Construction of Lake Malaren Hospital Project had been completed in the year 2014.

Malaren Hospital also holds 100% equity interest in Shanghai Lake Malaren Obstetrical and Gynecological Hospital Co., Ltd.（上海美蘭湖婦產科醫院有限公司）.

The market value in existing state of Lake Malaren Maternity Hospital Project as at 31 March 2016 valued by DTZ was RMB759,000,000.

(c) 72.63% equity interest in Malaren Commercial

Malaren Commercial is a limited liability company established in the PRC on 8 April 2014 by way of de-merger of Luodian Co. Malaren Commercial is owned as to 45.26% by Meeko Investment Limited（美高投資有限公司）and 27.37% by Shanghai Jiatong Enterprises Co., Ltd.（上海嘉通實業有限公司）, both being wholly-owned subsidiaries of CNTD. Accordingly, CNTD in aggregate indirectly holds 72.63% equity interest in Malaren

Commercial. The registered capital of Malaren Commercial is RMB70,000,000 which has been fully paid up. The principal activities of Malaren Commercial are property management, business administration, investment consultation and conference and exhibition services.

Pursuant to the relevant de-merger agreement and industrial and commercial registration for the de-merger of Luodian Co, Malaren Commercial shall have legal ownership of the entire interest in (i) Retail Street of Luodian New Town（北歐風情街）and (ii) Lake Malaren Convention Centre.

(i) Retail Street of Luodian New Town（北歐風情街）

Retail Street is comprised of various shops and public utilities in Shanghai Luodian New Town, with a site area of approximately 90,329 square meters. The property was completed in the year 2004 and renovation works were completed in the year 2008. The property is held with land use rights for a term of 50 years from 26 October 2005 to 25 October 2055 for public facilities use.

(ii) Lake Malaren Convention Centre

Lake Malaren Convention Centre is a 5-storey convention centre complex located in Shanghai Luodian New Town, with a site area of approximately 26,116 square meters. Completed in the year 2004, Lake Malaren Convention Centre is comprised of 4 convention halls, 2 multifunctional halls, 22 conference rooms, an exhibition hall, theatre, restaurants, 76 guest rooms, other entertainment facilities and underground car parking spaces. The property is held with land use rights for a term of 50 years from 26 October 2005 to 25 October 2055 for public facilities use.

The market value in existing state attributable to Malaren Commercial of (i) various shops in Retail Street of Luodian New Town and (ii) Lake Malaren Convention Centre as at 31 March 2016 valued by DTZ were RMB371,100,000 and RMB136,500,000 respectively.

(d) 72.63% equity interest in Malaren Corporate

Malaren Corporate is a limited liability company established in the PRC on 8 April 2014 by way of de-merger of Luodian Co. Malaren Corporate is owned as to 45.26% by Meeko Investment Limited（美高投資有限公司）and 27.37% by Shanghai Jiatong Enterprises Co., Ltd.（上海嘉通實業有限公司）, both being wholly-owned subsidiaries of CNTD. Accordingly, CNTD in aggregate indirectly holds 72.63% equity interest in Malaren Corporate. The registered capital of Malaren Corporate is RMB70,000,000 which has been fully paid up. The principal activities of Malaren Corporate are real estate development and operation, property management and investment and corporate management consultation.

Pursuant to the relevant de-merger agreement and industrial and commercial registration for the de-merger of Luodian Co, Malaren Corporate shall have legal ownership of the entire interest in the retail portion and the unsold office portion of Transport Center located in Shanghai. Transport Center, completed in the year 2012, has a site area of approximately 17,969 square meters. The property is held with land use rights for terms of 50 years and 40 years from 15 December 2009 for transport use and commercial use, respectively.

The market value in existing state attributable to Malaren Corporate of (i) retail portion of Transport Center and (ii) unsold portion of UHO Project, No. 222 Meidan Road, Luodian New Town, Baoshan District, Shanghai, the PRC as at 31 March 2016 valued by DTZ were RMB156,900,000 and RMB96,500,000 respectively.

(e) Certain rights and obligations relating to the lease of Lake Malaren Golf Course

Pursuant to a lease agreement entered into between the local government of Luodian Town, Baoshan District, Shanghai and Luodian Co on 15 September 2006, Lake Malaren Golf Course in Shanghai Luodian New Town is leased from the local government to Luodian Co for a term of 40 years rent-free from 23 October 2003 and in return Luodian Co is responsible for bearing the maintenance costs of Lake Malaren Golf Course and providing services to registered members of Lake Malaren Golf Club. The rights and obligations under the aforesaid lease agreement will be transferred from Luodian Co by novation by way of entering into a new lease agreement with the local government of Luodian Town, Baoshan District, Shanghai. Lake Malaren Golf Course occupies a site area of approximately 1,146,081 square meters.

(f) 72.63% equity interest in Malaren Development

Malaren Development is a limited liability company established in the PRC on 8 April 2014 by way of de-merger of Luodian Co. Malaren Development is owned as to 45.26% by Meeko Investment Limited（美高投資有限公司）and 27.37% by Shanghai Jiatong Enterprises Co., Ltd.（上海嘉通實業有限公司）, both being wholly-owned subsidiaries of CNTD. Accordingly, CNTD in aggregate indirectly holds 72.63% equity interest in Malaren Development. The registered capital of Malaren Development is RMB200,000,000 which has been fully paid up. The principal activities of Malaren Development are real estate development and operation and property management.

Pursuant to the relevant de-merger agreement and industrial and commercial registration for the de-merger of Luodian Co, Malaren Development shall have legal ownership of the entire interest in (i) Crowne Plaza Lake Malaren Shanghai Hotel and Golf Clubhouse and (ii) the unsold portion of Lake Malaren Silicon Valley Project.

(i) Crowne Plaza Lake Malaren Shanghai Hotel and Golf Clubhouse

Crowne Plaza Lake Malaren Shanghai Hotel and Golf Clubhouse are located in Shanghai Luodian New Town, with a site area of approximately 336,491 square meters. The properties are held with land use rights for a term of 40 years from 18 July 2003 to 17 July 2043 for commercial and service use.

(ii) The unsold portion of Lake Malaren Silicon Valley Project

Lake Malaren Silicon Valley Project occupies a site area of approximately 336,491 square meters. The property is held with land use rights for a term of 40 years from 18 July 2003 to 17 July 2043 for commercial use.

The market value in existing state attributable to Malaren Development of (i) Crowne Plaza Lake Malaren Shanghai Hotel; (ii) the unsold portion of Phase 1 of Lake Malaren Silicon Valley Project; and (iii) the under construction development known as portion of Phase 1 and Phase 2 of Lake Malaren Silicon Valley Project as at 31 March 2016 valued by DTZ were RMB223,000,000, RMB994,300,000 and RMB435,800,000 respectively.

Conditions precedent

The Acquisition Master Agreement is subject to (i) approval having been obtained from the Independent Shareholders at the SGM for the Acquisition Master Agreement and the transactions contemplated thereunder; and (ii) approval having been obtained from the Headquarters of China Development Bank for the Acquisition Master Agreement and the transactions contemplated thereunder (the "**CDB Approval**"), such conditions precedent (collectively, the "**Conditions Precedent**") not being waivable by the parties to the Acquisition Master Agreement.

Pursuant to the Acquisition Master Agreement, the Conditions Precedent shall be fulfilled by 30 November 2016 or the Company shall procure an independent third party to enter into an agreement with CNTD for the acquisition of the Target Assets based on the same terms and conditions as the Acquisition Master Agreement by 30 November 2016. If the Conditions Precedent have not been fulfilled and the Company is unable to procure an independent third party to enter into an agreement with CNTD for the acquisition of the Target Assets by 30 November 2016, the Acquisition Master Agreement shall automatically terminate with immediate effect, and the Company shall pay CNTD 20% of the Consideration (which amounts to RMB263,039,744.6) as liquidated damages. The CDB Approval has been obtained on 20 April 2016.

CNTD shall or shall procure its relevant subsidiaries and the Company shall or shall procure its relevant subsidiaries to enter into further sale and purchase agreements in respect of the respective Target Assets, setting out, inter alia, any additional conditions precedent (if necessary based on the circumstances) in respect of the respective Target Assets. The content of such sale and purchase agreements shall not be contradictory to the provisions of the Acquisition Master Agreement.

Consideration

The aggregate Consideration payable by the Company to CNTD in respect of the Acquisition amounts to RMB1,315,198,723 in cash, comprising approximately RMB238 million as consideration for the Target Assets and approximately RMB1,077 million for the repayment of the Loan, which shall be settled by the Company in stages in the following manner:

(a) stage 1:	80% of the Consideration (which amounts to RMB1,052,158,978.4) shall be payable by the Company within 5 days after CNTD has obtained the CDB Approval (i.e. by 25 April 2016), out of which 20% of the Consideration (which amounts to RMB263,039,744.6) shall be paid to CNTD as deposit and the remaining 60% of the Consideration (which amounts to RMB789,119,233.8) shall be paid into an escrow account commonly administered by the Company and CNTD.
(b) stage 2:	The aforesaid 60% of the Consideration (which amounts to RMB789,119,233.8) paid into the escrow account commonly administered by the Company and CNTD shall be released and paid to CNTD within 19 days after CNTD has obtained the CDB Approval (i.e. by 9 May 2016).
(c) stage 3:	The remaining 20% of the Consideration (which amounts to RMB263,039,744.6) shall be payable by the Company to CNTD on or before 30 November 2016.

As at the Latest Practicable Date, 80% of the Consideration has been paid by the Company to CNTD in accordance with the Acquisition Master Agreement.

Pursuant to the Acquisition Master Agreement, if the Conditions Precedent have not been fulfilled and the Company is unable to procure an independent third party to enter into an agreement with CNTD for the acquisition of the Target Assets based on the same terms and conditions as the Acquisition Master Agreement by 30 November 2016, the Acquisition Master Agreement shall automatically terminate with immediate effect and CNTD shall return to the Company a sum equivalent to the amount of Consideration which has then been paid by the Company to CNTD less RMB263,039,744.6 (being 20% of the Consideration which CNTD is entitled to retain as liquidated damages).

On the other hand, if the Company has procured an independent third party to enter into an agreement with CNTD for the acquisition of the Target Assets, CNTD shall return, by each instalment of consideration paid by such independent third party, to the Company the aggregate amount of Consideration which has then been paid to it by the Company.

The Directors (including the members of the Independent Board Committee) consider that the arrangement for the payment of the Consideration (including the payment of 80% of the Consideration by 9 May 2016) and CNTD's entitlement to RMB263,039,744.6 (being 20% of the Consideration) as liquidated damages are commercial decisions jointly made by the Company and CNTD for the mutual benefits of both sides, and therefore are fair and reasonable and in the interests of the Company and the Shareholders as a whole, for the following reasons:

(a) The Acquisition represents a valuable business opportunity for the Group given that (i) the Target Assets comprise property projects of high quality and growth potential mainly located in Shanghai; and (ii) the Acquisition is in line with the business strategy of the Group to focus on development of high-quality property projects in first-tier cities in the PRC.

(b) The arrangement for the payment of the Consideration and CNTD's entitlement to 20% of the Consideration as liquidated damages reflect the sincere intention of the Company to acquire the Target Assets from CNTD and its determination to complete the Acquisition.

(c) Given the reasons for and benefits of the Acquisition, the Directors are confident that the Independent Shareholders (in particular Jiashun (Holding) Investment Limited, a 60.78% controlling Shareholder of the Company) will approve the Acquisition Master Agreement and the transactions contemplated thereunder at the SGM. The Company also has sufficient resources to complete the Acquisition. Therefore, the Directors consider that the chance of the Conditions Precedent not being fulfilled by 30 November 2016 and as a result the Company being obliged to pay CNTD 20% of the Consideration as liquidated damages is low.

Basis of the Consideration

The Consideration, comprising approximately RMB238 million for the Target Assets and approximately RMB1,077 million for the repayment of the Loan (being the amount owed by the Target Assets to CNTD and/or its subsidiaries (other than the Target Assets) as at 30 June 2013), was arrived at after arm's length negotiations between the Company and CNTD. When determining whether the Consideration is fair and reasonable, the Company has principally considered the following factors:

(i) The Target Assets comprise various types of high-quality property projects located in first-tier cities in the PRC (namely Shanghai and Chengdu) including residential, commercial, health care and public facilities property projects. Having considered the quality, location, value and condition and growth potential of the Target Assets as at 31 March 2016, the Directors consider the Acquisition to be a valuation business opportunity for the Group to expand its property portfolio and become a fully integrated trans-sector property developer in the PRC;

(ii) Having considered the assets of and liabilities owed by the Target Assets to third parties other than CNTD and its subsidiaries as at 31 March 2016 (including without limitation bank borrowings and other payables), the Directors noted that the market value of the Target Assets has not been reflected in the net asset value of the Target Assets in the latest financial statements as at 31 December 2015 (with the net liability value attributable to owner being approximately RMB145.7 million). As such, the Directors, when determining whether to accept the Consideration, have mainly made reference to (a) the Director's estimation of the value of the properties of the Target Assets as at 31 March 2016 being not less than RMB4.8 billion (on the basis of 100% shareholding in the Target Assets) based on the current market value of similar properties located in the neighboring areas of the Target Assets; and (b) the appraised value of the Target Assets based on a preliminary appraisal by DTZ, an independent valuer, as at 31 March 2016, which is significantly higher than the Consideration. The final appraised market value attributable to the Target Assets as at 31 March 2016 is RMB3,828,300,000. Please refer to Appendix V to this circular for the property valuation report prepared by DTZ; and

(iii) Pursuant to the Acquisition Master Agreement, the amount owed by the Target Assets to CNTD and/or its subsidiaries (other than the Target Assets) for the period between 1 July 2013 and 28 March 2016 shall be repaid by SREI to CNTD.

Having considered the above factors taken as a whole, the Directors (including the members of the Independent Board Committee) consider the amount of the Consideration to be favourable to the Company, and therefore fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration will not be subject to any adjustment irrespective of the final appraised value of the properties of the Target Assets as determined by DTZ in the valuation report included in this circular.

The Consideration was arrived at and agreed between the Company and CNTD for the sale and purchase of the Target Assets as a whole and therefore breakdown of the Consideration for each of the Target Assets is not available.

Special arrangements

Transitional period

In respect of each Target Asset, during the period between the date of the Acquisition Master Agreement and the date of completion of transfer of the relevant Target Asset, written consent from both CNTD and the Company is required for material events relating to the relevant Target Asset, including, inter alia, (i) amendments to company's articles; (ii) liquidation, merger, de-merger or reorganization; (iii) changes to registered capital and shareholding structure; (iv) change in principal business activities; (v) granting of guarantees by or creating of incumbrances upon the relevant Target Asset and (vi) other events which will significantly affect the value of the relevant Target Asset.

Deemed completion of the transfer of certain Target Assets

As for (i) the rights and obligations relating to the lease of Lake Malaren Golf Course and (ii) the 72.63% equity interest in Malaren Development (the "**Deemed Completion Target Assets**"), pursuant to the Acquisition Master Agreement, subject to:

(i) fulfillment of the Conditions Precedent;

(ii) release of the 60% of the Consideration from the escrow account commonly administered by the Company and CNTD to CNTD; and

(iii) the relevant Deemed Completion Target Asset fulfilling certain conditions (including, inter alia, establishment of separate accounting books and bank accounts, internal management segmentation and separate use of company chops) indicating management and operational independence from CNTD and its other subsidiaries and thus suitability for the Deemed Completion (as defined below), within 20 days after CNTD has received a written request from the Company, CNTD shall procure the completion of certain handover procedures as prescribed in the Acquisition Master Agreement (including but not limited to the delivery to the Company of all tangible assets, title documents of real properties, contracts, certificates and permits, stamps and other documents and records relating to the businesses of the relevant Deemed Completion Target Asset), such that the Company will have de facto control over the management and operation of the relevant Deemed Completion Target Asset (the "**Deemed Completion**").

Upon the Deemed Completion, all rights (such as possession and use of properties, income and profits) and all liabilities (such as debts and tax liabilities) in respect of the relevant Deemed Completion Target Asset shall be enjoyed, borne, exercised or inherited by the Company. However, consent from CNTD is required for (i) the sale, transfer or disposal of the relevant Deemed Completion Target Asset (except for sale or pre-sale of properties in the normal course of business); and (ii) any events or circumstances in relation to the relevant Deemed Completion Target Asset which would constitute illegal acts on the part of CNTD or its subsidiaries.

Obligations of SREI

Pursuant to the Acquisition Master Agreement, SREI has given unconditional consent to the sale and purchase of the Target Assets between CNTD and the Company. In addition, SREI has also undertaken to be responsible for fulfilling the relevant procedures for the transfer of the Target Assets. Depending on the circumstances of the respective Target Asset, such procedures may include, without limitation, (i) if required under a loan agreement to which the relevant Target Asset is a party, notifying or obtaining consent from the relevant bank for the transfer of the Target Asset; and (ii) obtaining consent from Shanghai Luodian Asset Operation Investment Co., Ltd. (上海羅店資產經營投資有限公司), a 27.37% minority shareholder of each of Luodian Co, Malaren Commercial, Malaren Corporate and Malaren Development, for the transfer of the Target Assets.

Pursuant to the Acquisition Master Agreement, SREI has undertaken to repay CNTD such amount owed by the Target Assets to CNTD and/or its subsidiaries (other than the Target Assets) for the period between 1 July 2013 and 28 March 2016 (being approximately RMB266 million). Upon the repayment of such amount by SREI and the repayment of the Loan by the Company, there shall not be any outstanding amount owed by the Target Assets to CNTD and/or its subsidiaries (other than the Target Assets).

INFORMATION ON 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 is also seeking 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 ON CNTD AND SREI

CNTD is a company incorporated in the British Virgin Islands with limited liability, whose shares are listed on both the Stock Exchange and The Singapore Exchange Securities Trading Limited. It is principally engaged in the urban master planning, investment and land development of urbanization projects in major cities in the PRC.

SREI is a company incorporated in the British Virgin Islands with limited liability. It is a substantial Shareholder currently holding approximately 14.05% of the total issued share capital of the Company, and therefore a connected person of the Company under the Listing Rules. The principal activity of SREI is investment holding.

INFORMATION ON THE TARGET ASSETS

Please refer to the paragraph headed "The Acquisition – Subject matter" in this section above for detailed information of the Target Assets.

Based on the audited combined accounts of the Target Assets, the net losses before and after taxation of the Target Assets for the year ended 31 December 2014 were approximately RMB164 million and RMB168 million respectively; and the net losses before and after taxation of the Target Assets for the year ended 31 December 2015 were approximately RMB183 million and RMB184 million respectively.

Based on the audited combined accounts of the Target Assets, the audited net liability value and total assets of the Target Assets as at 31 December 2015 were approximately RMB206 million and RMB4,509 million respectively.

As total fair value of identifiable net assets in relation to Target Assets attributable to the Company exceeds total consideration (negative goodwill), a gain of approximately HKD43 million would be recognised separately in the consolidated statement of profit or loss and other comprehensive income upon completion of Acquisition and transfer of property titles and changes in shareholders.

The Target Assets recorded continuous losses for the three years ended 31 December 2015 and net liabilities position as at 31 December 2014 and 2015, respectively, due to various reasons: (i) certain pre-sold properties (such as properties in Chengdu Albany Oasis Garden Project) have not been delivered to the buyers and therefore the sales proceeds have not yet been reflected in the financial statements of the relevant Target Assets; (ii) certain investment properties (such as Lake Malaren Maternity Hospital Project) are still at their early stage of operation and therefore the operating expenses are relatively large; and (iii) due to change in market positioning, certain properties for lease (such as shop spaces of Retail Street of Luodian New Town (北歐風情街)) are currently soliciting for new tenants after expiration of previous leases, resulting in unsatisfactory rental income as anticipated.

Despite the above, the Directors consider that large-scale property projects such as the Target Assets are of sustainable growth potential in the context of the optimistic prospect of the property market in Shanghai and Chengdu. The Directors have already been formulating management strategies for the Target Assets with a view to improving the operational efficiency of the Target Assets, expanding their target market and customer base and thus improving the performance of the Target Assets as a whole. The Directors believe that with the Company's extensive experience in development and operation of real estate properties in the PRC, acquisition of the Target Assets will bring along positive impact on the businesses of the Group and thus create value for the Shareholders. Therefore, the Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Please refer to the management discussion and analysis on the Target Assets in Appendix IV, and the accountants' report on the Target Assets for the three years ended 31 December 2015 set out in Appendix II to this circular for further details of the financial information of the Target Assets.

FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, each of Chengdu Real Estate and Malaren Hospital will become a wholly-owned subsidiary of the Company and each of Malaren Commercial, Malaren Corporate and Malaren Development will become a 72.63%-owned subsidiary of the Company, and as a result, the profit or loss and assets and liabilities of Chengdu Real Estate, Malaren Hospital, Malaren Commercial, Malaren Corporate and Malaren Development will be accounted for in the consolidated financial statements of the Company. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix III to this circular.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma consolidated assets of the Group as at 31 December 2015 would increase from approximately HKD34,800 million to approximately HKD39,788 million and the unaudited pro forma consolidated total liabilities of the Group as at 31 December 2015 would increase from approximately HKD26,760 million to HKD31,677 million as a result of the Acquisition.

As total fair value of identifiable net assets in relation to Target Assets attributable to the Company exceeds total consideration (negative goodwill), a gain of approximately HKD43 million would be recognised separately in the consolidated statement of profit or loss and other comprehensive income upon completion of Acquisition of Target Assets and transfer of property titles and changes in shareholders.

REASONS FOR AND BENEFITS OF THE ACQUISITION

While the Group is mainly engaged in development of high-quality property projects in first-tier cities in the PRC, in particular core areas in Shanghai, it has also been exploring new opportunities in urban development and renewal, medical and senior properties and cultural tourism and innovative technology properties, with a view to becoming a fully integrated trans-sector property developer.

The Target Assets comprise various types of property projects, such as residential, commercial, health care and public facilities, mainly located in Shanghai, which is geographically the base for the Group's property development business. The Board (including the members of the Independent Board Committee) considers that the Target Assets are of high quality and growth potential and represent valuable business opportunities for the Group to expand its property portfolio and thus its market share in the real estate industry in the PRC.

Having regard to the reasons for and benefits of the Acquisition, the Board (including the members of the Independent Board Committee) are of the view that the terms of the Acquisition Master Agreement, which have been reached after arm's length negotiations between the parties, are fair and reasonable, and the Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS FOR THE ACQUISITION

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition is 25% or more but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and therefore is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (a) SREI is a shareholder of CNTD holding approximately 14.91% of the total issued share capital of CNTD; and (b) CNTD (being the seller of the Target Assets) and its ultimate beneficial owner (except for SREI) are third parties independent of the Company. In addition, SREI is a substantial Shareholder holding approximately 14.05% of the total issued share capital of the Company and therefore is a connected person of the Company. Although the sale and purchase of the Target Assets as between CNTD as the seller and the Company as the purchaser per se does not constitute a connected transaction of the Company, as SREI is one of the parties to the Acquisition Master Agreement, the Acquisition constitutes a connected transaction of the Company in light of the involvement of SREI in it. Therefore, the Acquisition is also subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the resolution in relation to the Acquisition, taking into account the recommendations of the Independent Financial Adviser. No member of the Independent Board Committee has any material interest in the Acquisition.

The Company has, with the approval of the Independent Board Committee, appointed Amasse Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition as contemplated under the Acquisition Master Agreement.

SGM

A notice convening the SGM to be held at Suites 1001-1004, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 6 July 2016, at 3:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular. An ordinary resolution will be proposed at the SGM for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Master Agreement and the transactions contemplated thereunder.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable, but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and, in such event, the instrument appointing a proxy will be deemed to be revoked.

VOTING AT THE SGM AND BOARD MEETING

SREI (being a party to the Acquisition Master Agreement), Mr. Shi Jian and Madam Si Xiao Dong (who together hold 69% equity interest in SREI), their respective associates, and any person who has a material interest in the Acquisition, are required to abstain from voting with respect to the resolution for approving the Acquisition. Saved as disclosed above, no other Shareholders would be required to abstain from voting to approve the Acquisition.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors was in any way materially interested in the Acquisition and therefore none of the Directors had abstained from voting in the board meeting approving the Acquisition Master Agreement and the transactions contemplated thereunder.

RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 23 to 24 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 25 to 42 of this circular in respect of the terms of the Acquisition Master Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the terms of the Acquisition Master Agreement, including the Consideration, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed for approving the Acquisition Master Agreement and the transactions contemplated thereunder.

The Board (including the members of the Independent Board Committee) considers that the terms of the Acquisition Master Agreement, including the Consideration, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the members of the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the resolution to be proposed for approving the Acquisition Master Agreement and the transactions contemplated thereunder, as set out in the notice of the SGM.

RE-ELECTION OF DIRECTORS

Reference is made to the announcement of the Company dated 6 June 2016 in relation to the appointment of Ms. Qin Wenying ("**Ms. Qin**") and Mr. Chen Donghui ("**Mr. Chen**") as executive Directors. Pursuant to code provision A.4.2 of Appendix 14 of the Listing Rules, Ms. Qin and Mr. Chen will retire as executive Directors and, being eligible, offer themselves for re-election at the SGM. Resolutions for the re-election of Ms. Qin and Mr. Chen as executive Directors will be proposed at the SGM. The biographical details of Ms. Qin and Mr. Chen are set out below.

Ms. Qin Wenying, aged 52, graduated from Fudan University with a Bachelor's degree in Philosophy in July 1986 and obtained an Advanced Master of Business Administration Degree from Fudan University in April 2004. She has been qualified as a Senior Human Resources Professional authenticated by the Ministry of Human Resources and Social Security and as a Senior Political Scientist authenticated by the State-owned Assets Supervision and Administration Commission. Ms. Qin has over 20-year experience in establishment of human resources and corporate culture and operation management and supervision management in property development and hotel management and property management industry. Ms. Qin had held various positions in the past. In 1998, she joined Sinochem Group; from 1998 to 2010, she worked as the deputy head of the chief executive office, general manager of human resources department, vice chairman of labour union and supervisor of China Jin Mao (Group) Limited (currently renamed as Jinmao (China) Investments Holdings Limited (stock code: 06139)); in May 2010, she was the chairman of labour union, the director of the department of Party-civilian relationship and the officer of the disciplinary and inspection department of Franshion Properties (China) Limited (currently renamed as China Jinmao Holdings Group Limited) (HK stock code: 00817); in August 2014, she was the deputy general manager of the Shanghai office of China Jinmao; in August 2015, she was appointed as the secretary of the disciplinary committee of Sinochem International Corporation listed on the Shanghai Stock Exchange (stock code: 600500).

Pursuant to the service agreement entered into between Ms. Qin and the Company, Ms. Qin was appointed as an executive Director for a term of 3 years commencing from 6 June 2016 (subject to retirement by rotation and re-election in accordance with the bye-laws of the Company), unless otherwise terminated by either party by giving not less than 6 month's written notice to the other or otherwise in accordance with the other terms of the service agreement. Pursuant to her service agreement, Ms. Qin is entitled to a remuneration of HK$1,460,000 per annum, which was determined with reference to her duties and responsibilities with the Company and the prevailing market conditions.

Mr. Chen Donghui, aged 43, holds a doctorate degree from the accounting faculty of Renmin University of China. Mr. Chen is currently the General Manager of China Minsheng Jiaye Investment Co., Ltd. Before joining the Company, Mr. Chen had served as Chief Financial Officer of China Minsheng Drawin Technology Group Limited (stock code: 0726) during the period from September 2015 to May 2016. Mr. Chen had served as Supervisor and Vice Supervisor of the strategic research office of the R&D center of The People's Insurance Company of China Limited, Deputy General Manager and then General Manager of the Finance and Accounting Department of PICC Property and Casualty Company Limited and the Deputy General Manager of its Jiangsu Branch, General Manager of the Strategic Financing Department of China Export & Credit Insurance Corporation, and Executive Director of Financial Sector of China Minsheng Investment Corp., Ltd..

Pursuant to the service agreement entered into between Mr. Chen and the Company, Mr. Chen was appointed as an executive Director for a term of 3 years commencing from 6 June 2016 (subject to retirement by rotation and re-election in accordance with the bye-laws of the Company), unless otherwise terminated by either party by giving not less than 6 month's written notice to the other or otherwise in accordance with the other terms of the service agreement. Pursuant to his service agreement, Mr. Chen is entitled to a remuneration of HK$60,000 per annum, which was determined with reference to his duties and responsibilities with the Company and the prevailing market conditions.

Save as disclosed above, as at the Latest Practicable Date, each of Ms. Qin and Mr. Chen:

(a) does not have any relationship with any other Directors, senior management, substantial shareholder or controlling shareholder of the Company and has not held any other directorships in listed public companies in the last three years;

(b) does not hold any other positions with the Group;

(c) does not have any interests in the Shares within the meaning of Part XV of the SFO; and

(d) has confirmed that there are no other matters in connection with his appointment that need to be brought to the attention of the Shareholders and there are no information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
SRE Group Limited
He Binwu
Chairman

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

16 June 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION AND (2) NOTICE OF SGM

We refer to the circular dated 16 June 2016 issued by the Company of which this letter forms part of (the "**Circular**"). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorised by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Acquistion, details of which are set out in the section headed "Letter from the Board" contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 6 to 22 of the Circular and the letter of advice from Amasse Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition Master Agreement, set out on pages 25 to 42 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, the terms and conditions of the Acquisition Master Agreement, the business and financial effects of the Acquisition on the Company, the quality and size of the properties held by the Target Assets, we consider that the terms and conditions of the Acquisition Master Agreement, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM in respect of the Acquisition Master Agreement and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of the
Independent Board Committee
SRE Group Limited
Mr. Zhuo Fumin
Mr. Chan, Charles Sheung Wai
Mr. Guoping
Mr. Ma Lishan
Independent non-executive Directors

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Amasse Capital Limited dated 16 June 2016 prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL
寶 積 資 本

16 June 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition as contemplated under the Acquisition Master Agreement, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 16 June 2016 (the "**Circular**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 10 October 2013, CNTD and SREI entered into the Disposal Agreement, pursuant to which CNTD conditionally agreed to sell, and SREI conditionally agreed to purchase the Disposal Assets. The Disposal Agreement also provides that the parties thereto may after discussion agree to dispose of any part of the Disposal Assets to a third party other than SREI and its subsidiaries. As at the Latest Practicable Date, completion for the sale and purchase of all the Disposal Assets has not taken place.

On 20 April 2016 (after trading hours), the Company entered into the Acquisition Master Agreement with CNTD and SREI, pursuant to which CNTD has, among others, conditionally agreed to sell or procure the sale of, and the Company has conditionally agreed to purchase or procure the purchase of, the Target Assets (which form part of the Disposal Assets). Pursuant to the Acquisition Master Agreement, the Consideration for the Acquisition is RMB1,315,198,723 in cash, comprising approximately RMB238 million as consideration for the Target Assets, and approximately RMB1,077 million for the repayment of the Loan.

The Independent Board Committee comprising all of the independent non-executive Directors has been established for the purpose of considering and advising the Independent Shareholders regarding the terms and conditions of the Acquisition as contemplated under the Acquisition Master Agreement. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (the "**Management**"). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Acquisition. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular as a whole misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Acquisition or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaims any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms and conditions of the Acquisition as contemplated under the Acquisition Master Agreement, we have taken into consideration the following principal factors and reasons:

1. Information on the Group and the Target Assets

1.1 Information on 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 is also seeking 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.

Set out below is a summary of the financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**"), details of which are as follows:

	For the year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
	(Audited)	*(Audited)*
Revenue		
– Property development	960,402	1,193,504
– Property leasing	106,078	109,947
– Hotel operations	183,755	199,926
– Corporate and other operations	189,721	259,138
Total revenue	*1,439,956*	*1,762,515*
Gross (loss)/profit	306,652	(1,357,252)
(Loss)/profit before tax	567,875	(2,698,202)
(Loss)/profit attributable to owners of the parent	(105,954)	(2,364,415)

For the year ended 31 December 2015, the Group recorded a revenue of approximately HK$1,763 million when compared to a revenue of approximately HK$1,440 million for the corresponding period in 2014, representing an increase of approximately 22%. Loss attributable to the owners of the parent for the year ended 31 December 2015 amounted to approximately HK$2,364 million when compared to a loss attributable to the owners of the parent for the corresponding period in 2014 of approximately HK$106 million, representing an increase of approximately 2,130%. According to the 2015 Annual Report, the increase in the said loss was mainly due to the impact from the third and fourth-tier cities in the PRC, which resulted in a decline in both property sales and its gross margin, and larger impairment losses for some properties.

We note that the Group recorded consecutive losses attributable to the owners of the parent for the two years ended 31 December 2014 and 2015.

1.2 Information on the Target Assets

Please refer to the sub-section headed "Subject matter" under the section headed "The Acquisition" in the Letter from the Board for detailed information of the Target Assets.

Based on the audited combined accounts of the Target Assets, the net losses before and after taxation of the Target Assets for the year ended 31 December 2014 were approximately RMB164 million and RMB168 million respectively; and the net losses before and after taxation of the Target Assets for the year ended 31 December 2015 were approximately RMB183 million and RMB184 million respectively.

Based on the audited combined accounts of the Target Assets, the audited net liability value and total assets of the Target Assets as at 31 December 2015 were approximately RMB206 million and RMB4,509 million respectively.

We note that the Target Assets recorded a loss after tax of approximately RMB184 million for the year ended 31 December 2015 as compared with a loss after tax of approximately RMB168 million for the year ended 31 December 2014. As advised by the Management, the increase in the said loss was mainly due to the decrease in revenue owing to, among others, certain pre-sold properties (such as properties in Chengdu Albany Oasis Garden Project) have not been delivered to the buyers and therefore the sales proceeds have not yet been reflected in the financial statements of the relevant Target Assets. Moreover, the audited net liability value of the Target Assets attributable to owners of the Target Assets was approximately RMB145.7 million as at 31 December 2015.

Please refer to the management discussion and analysis on the Target Assets and the accountants' report on the Target Assets for the three years ended 31 December 2015 set out in Appendix IV and Appendix II to the Circular respectively for further details of the financial information of the Target Assets.

2. Reasons for and benefits of the Acquisition

As stated in the Letter from the Board, while the Group is mainly engaged in development of high-quality property projects in first-tier cities in the PRC, in particular core areas in Shanghai, it has also been exploring new opportunities in urban development and renewal, medical and senior properties and cultural tourism and innovative technology properties, with a view to becoming a fully integrated trans-sector property developer.

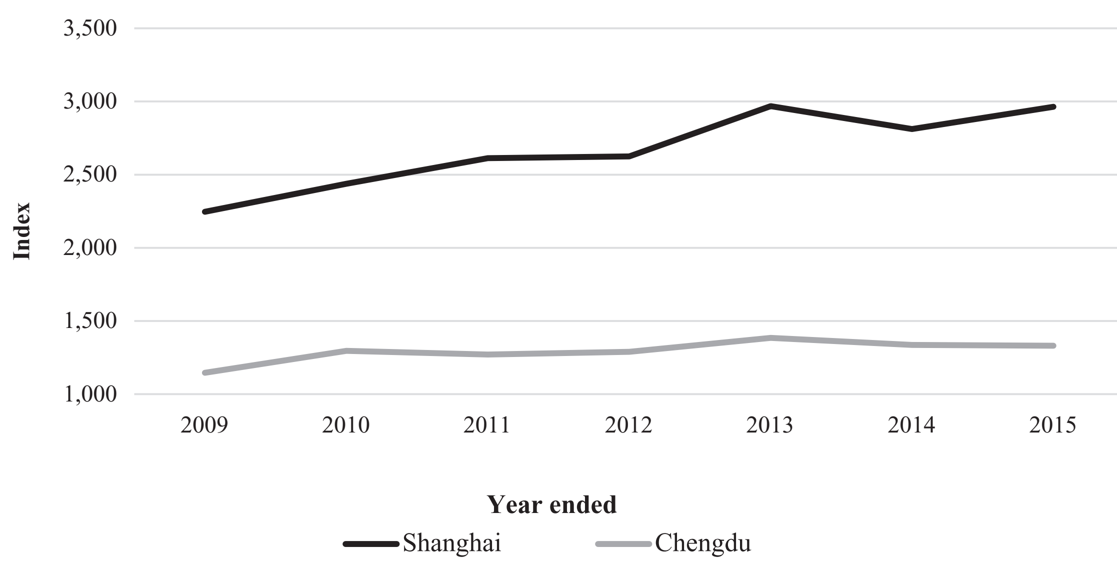
The Target Assets comprise various types of property projects, such as residential, commercial, health care and public facilities, mainly located in Shanghai, which is geographically the base for the Group's property development business. The Board considers that the Target Assets are of high quality and growth potential and represent valuable business opportunities for the Group to expand its property portfolio and thus its market share in the real estate industry in the PRC.

Having regard to the reasons for and benefits of the Acquisition, the Board is of the view that the terms of the Acquisition Master Agreement, which have been reached after arm's length negotiations between the parties, are fair and reasonable, and the Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

We were given by the Management to understand that the Acquisition represents a strategic expansion of the Group which is in line with the Group's business strategy. The property projects as represented by the Target Assets comprise high-quality property projects in first-tier cities in the PRC, i.e. primarily based in Shanghai and Chengdu. Various easing policies in relation to the PRC property market have been issued in early 2016 by the State Administration of Taxation of the PRC government and Shanghai Municipal People's Government to facilitate the development of the PRC property market such as, among others, the reduction in applicable tax relating to the property transactions in the PRC and strengthening the degree of land supply for property development in Shanghai and therefore it is anticipated that the property projects of the Target Assets will be benefited from these policies in the long term.

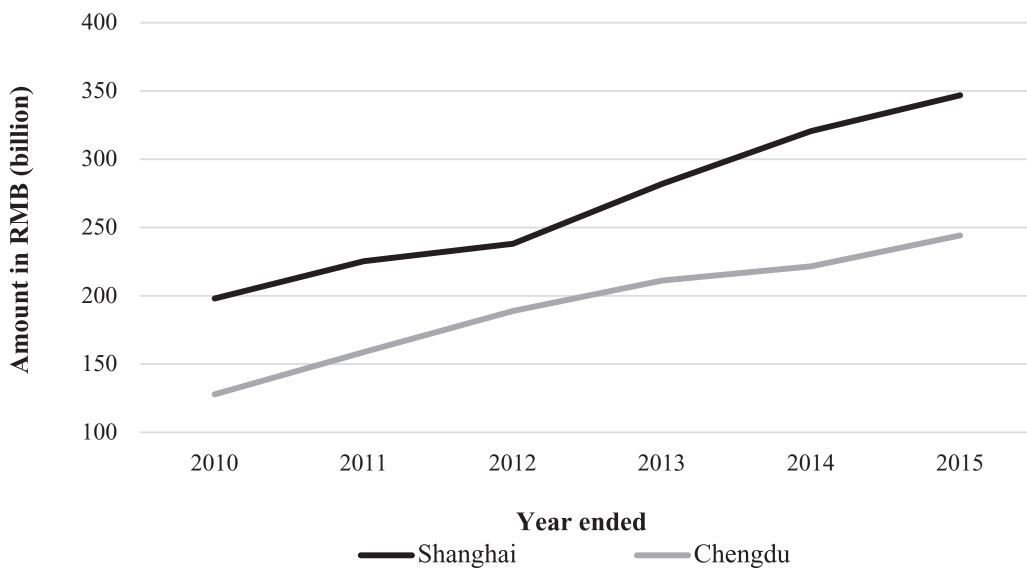
In addition, the property markets in Shanghai and Chengdu are generally in upward trends. According to 城市綜合指數 (Integrated City Index), which measures the trend of the price of the properties in PRC cities, under the China Real Estate Index System (the "**CREIS**") as published by 中國指數研究院 (China Index Academy) for the years 2009 to 2015 as illustrated in the graph below, we note that there had been a continuous growth trend for the properties in Shanghai and a stable and slightly upward trend for the properties in Chengdu. CREIS is a price index system initiated by the Development Research Center of the State Council of the PRC, the China Real Estate Association and the China National Real Estate Development Group in 1994 which had passed the academic appraisal by a group of experts consisting from, without limitation to, the Development Research Center of the State Council of the PRC, the Ministry of Land and Resources of the PRC and the China Banking Regulatory Commission.

上海及成都城市綜合指數 (Shanghai & Chengdu Integrated City Index)



Moreover, as published by 中國房地產信息網 (China Real Estate Information) and 中華人民共和國國家統計局 (National Bureau of Statistics of the PRC), the investment in fixed assets and real estate development in Shanghai and Chengdu had recorded steady and continuous growth (i) from approximately RMB198 billion, RMB225 billion, RMB238 billion, RMB282 billion, RMB321 billion and RMB347 billion for the years 2010, 2011, 2012, 2013, 2014 and 2015 respectively for Shanghai; and (ii) from approximately RMB128 billion, RMB159 billion, RMB189 billion, RMB211 billion, RMB222 billion and RMB244 billion for the years 2010, 2011, 2012, 2013, 2014 and 2015 respectively for Chengdu and are illustrated in the graph below:

Investment in fixed assets and real estatement development in Shanghai & Chengdu



Having considered (i) the unsatisfactory performance of the Group; (ii) the Target Assets comprise various types of property projects which is in line with the business focus of the Group in becoming a fully integrated trans-sector property developer; (iii) the Target Assets will help diversifying the income sources of the Group and further penetrate into the real estate development industry; and (iv) the optimistic prospect of the property market in Shanghai and Chengdu as substantiated by the favourable PRC policies and the continuous growth trend for the property market in Shanghai and Chengdu, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Acquisition Master Agreement

Date

20 April 2016 (after trading hours)

Parties

(1) the Company (as purchaser);

(2) CNTD (as seller); and

(3) SREI.

Subject Matter

Subject to the terms and conditions of the Acquisition Master Agreement, (i) CNTD has conditionally agreed to sell or procure the sale of, and the Company has conditionally agreed to purchase or procure the purchase of, the Target Assets and (ii) the Company has conditionally agreed to repay or procure the repayment of the Loan.

Conditions precedent

The Acquisition Master Agreement is subject to (i) approval having been obtained from the Independent Shareholders at the SGM for the Acquisition Master Agreement and the transactions contemplated thereunder; and (ii) approval having been obtained from the Headquarters of China Development Bank (the "**CDB Approval**") for the Acquisition Master Agreement and the transactions contemplated thereunder, such conditions precedent (collectively, the "**Conditions Precedent**") not being waivable by the parties to the Acquisition Master Agreement.

Pursuant to the Acquisition Master Agreement, the Conditions Precedent shall be fulfilled by 30 November 2016 or the Company shall procure an independent third party to enter into an agreement with CNTD for the acquisition of the Target Assets based on the same terms and conditions as the Acquisition Master Agreement by 30 November 2016. If the Conditions Precedent have not been fulfilled and the Company is unable to procure an independent third party to enter into an agreement with CNTD for the acquisition of the Target Assets by 30 November 2016, the Acquisition Master Agreement shall automatically terminate with immediate effect, and the Company shall pay CNTD 20% of the Consideration (which amounts to RMB263,039,744.60) as liquidated damages. The CDB Approval has been obtained on 20 April 2016.

CNTD shall or shall procure its relevant subsidiaries and the Company shall or shall procure its relevant subsidiaries to enter into further sale and purchase agreements in respect of the respective Target Assets, setting out, inter alia, any additional conditions precedent (if necessary based on the circumstances) in respect of the respective Target Assets. The content of such sale and purchase agreements shall not be contradictory to the provisions of the Acquisition Master Agreement.

We note that the Company shall unilaterally pay CNTD 20% of the Consideration (which amounts to RMB263,039,744.60) as liquidated damages as disclosed above. As discussed with the Management, the Company has balanced the benefits and risk with regard to payment of the said liquidated damages (the "**Liquidated Damages Payment**"), in particular (i) the Company's intention to facilitate the Acquisition after considering the reasons for and benefits of the Acquisition as stated above, without limitations to the optimistic view on the property market in Shanghai and Chengdu and the strategic move of the Group to further expand its property portfolio with an aim to improve its consecutive loss position; and (ii) the possibility of the occurrence of the Liquidated Damages Payment as a result of non-fulfillment of the Conditions Precedent is low since, as advised by the Company, China Minsheng Jiaye Investment Co., Ltd., has indicated to the Company its intention to procure, through its subsidiary, namely Jiashun (Holding) Investment Limited (collectively, "**China Minsheng Jiaye Group**"), the voting of the Shares held by China Minsheng Jiaye Group in favour of the Acquisition at the SGM (the "**CMJI's Voting Intention**"). As at the Latest Practicable Date, China Minsheng Jiaye Group held an aggregate of 12,500,000,000 Shares, representing approximately 60.78% of the total issued share capital of the Company.

Consideration

The aggregate Consideration payable by the Company to CNTD in respect of the Acquisition amounts to RMB1,315,198,723 in cash, comprising approximately RMB238 million as consideration for the Target Assets, and approximately RMB1,077 million for the repayment of the Loan, which shall be settled by the Company in stages in the following manner:

(a) stage 1: 80% of the Consideration (which amounts to RMB1,052,158,978.4) shall be payable by the Company within 5 days after CNTD has obtained the CDB Approval (i.e. by 25 April 2016), out of which 20% of the Consideration (which amounts to RMB263,039,744.6) shall be paid to CNTD as deposit and the remaining 60% of the Consideration (which amounts to RMB789,119,233.8) shall be paid into an escrow account commonly administered by the Company and CNTD;

(b) stage 2: The aforesaid 60% of the Consideration (which amounts to RMB789,119,233.8) paid into the escrow account commonly administered by the Company and CNTD shall be released and paid to CNTD within 19 days after CNTD has obtained the CDB Approval (i.e. by 9 May 2016);

(c) stage 3: The remaining 20% of the Consideration (which amounts to RMB263,039,744.6) shall be payable by the Company to CNTD on or before 30 November 2016.

As at the Latest Practicable Date, 80% of the Consideration has been paid by the Company to CNTD in accordance with the Acquisition Master Agreement.

Pursuant to the Acquisition Master Agreement, if the Conditions Precedent have not been fulfilled and the Company is unable to procure an independent third party to enter into an agreement with CNTD for the acquisition of the Target Assets based on the same terms and conditions as the Acquisition Master Agreement by 30 November 2016, the Acquisition Master Agreement shall automatically terminate with immediate effect and CNTD shall return to the

Company a sum equivalent to the amount of Consideration which has then been paid by the Company to CNTD less RMB263,039,744.6 (being 20% of the Consideration which CNTD is entitled to retain as liquidated damages).

On the other hand, if the Company has procured an independent third party to enter into an agreement with CNTD for the acquisition of the Target Assets, CNTD shall return, by each instalment of consideration paid by such independent third party, to the Company the aggregate amount of Consideration which has then been paid to it by the Company.

The Directors consider that the arrangement for the payment of the Consideration (including the payment of 80% of the Consideration by 9 May 2016) and CNTD's entitlement to RMB263,039,744.6 (being 20% of the Consideration) as liquidated damages are commercial decisions jointly made by the Company and CNTD for the mutual benefits of both sides, and therefore is fair and reasonable and in the interests of the Company and the Shareholders as a whole, for the following reasons:

A. The Acquisition represents a valuable business opportunity for the Group given that (i) the Target Assets comprise property projects of high quality and growth potential mainly located in Shanghai; and (ii) the Acquisition is in line with the business strategy of the Group to focus on development of high-quality property projects in first-tier cities in the PRC.

B. The arrangement for the payment of the Consideration and CNTD's entitlement to 20% of the Consideration as liquidated damages reflect the sincere intention of the Company to acquire the Target Assets from CNTD and its determination to complete the Acquisition.

C. Given the reasons for and benefits of the Acquisition, the Directors are confident that the Independent Shareholders (in particular Jiashun (Holding) Investment Limited, a 60.78% controlling Shareholder of the Company) will approve the Acquisition Master Agreement and the transactions contemplated thereunder at the SGM. The Company also has sufficient resources to complete the Acquisition. Therefore, the Directors consider that the chance of the Conditions Precedent not being fulfilled by 30 November 2016 and as a result the Company being obliged to pay CNTD 20% of the Consideration as liquidated damages is low.

The Consideration, comprising approximately RMB238 million for the Target Assets and approximately RMB1,077 million for the repayment of the Loan (being the amount owed by the Target Assets to CNTD and/or its subsidiaries (other than the Target Assets) as at 30 June 2013), was arrived at after arm's length negotiations between the Company and CNTD. When determining whether the Consideration is fair and reasonable, the Company has principally considered the following factors:

(i) the Target Assets comprise various types of high-quality property projects located in first-tier cities in the PRC (namely Shanghai and Chengdu) including residential, commercial, health care and public facilities property projects. Having considered the quality, location, value and condition and growth potential of the Target Assets as at 31 March 2016, the Directors consider the Acquisition to be a valuable business opportunity for the Group to expand its property portfolio and become a fully integrated trans-sector property developer in the PRC;

(ii) having considered the assets of and liabilities owed by the Target Assets to third parties other than CNTD and its subsidiaries as at 31 March 2016 (including without limitation bank borrowings and other payables), the Directors noted that the market value of the Target Assets has not been reflected in the net asset value of the Target Assets in the latest financial statements as at 31 December 2015 (with the net liability value attributable to owner being approximately RMB145.7 million). As such, the Directors, when determining whether to accept the Consideration, have mainly made reference to (a) the Director's estimation of the value of the properties of the Target Assets as at 31 March 2016 being not less than RMB4.8 billion (on the basis of 100% shareholding in the Target Assets) based on the current market value of similar properties located in the neighboring areas of the Target Assets; and (b) the appraised value of the Target Assets based on a preliminary appraisal by DTZ, an independent valuer, as at 31 March 2016, which is significantly higher than the Consideration. The final appraised market value attributable to the Target Assets as at 31 March 2016 is RMB3,828,300,000. Please refer to Appendix V to the Circular for the property valuation report prepared by DTZ; and

(iii) pursuant to the Acquisition Master Agreement, the amount owed by the Target Assets to CNTD and/or its subsidiaries (other than the Target Assets) for the period between 1 July 2013 and 28 March 2016 shall be repaid by SREI to CNTD.

We note that the Consideration is the same with the consideration under the Disposal Agreement entered into by SREI and CNTD. In this regard, we were given to understand by the Management that by accepting the Consideration, the Company has principally drawn reference to the above factors.

In addition, we understand from the Management that the Loan (i) is current account in nature; (ii) is unsecured; (iii) has no fixed terms of repayment; and (iv) is interest-free. We also understand that the repayment of the Loan, which is made on a dollar to dollar basis, is so agreed as to facilitate the completion and transfer of the Target Assets by maintaining a clear cut position from CNTD's entire interest in the Target Assets, including rights and obligations, through eliminating any relevant remaining debt balance with CNTD and/or its relevant subsidiaries.

Further, we understand from the Management that the payment of 80% of Consideration in the early stage was so structured to facilitate and expedite the obtaining of approval from the Headquarters of China Development Bank, a financial institution leaded by the State Council of the PRC. As further advised by the Management, in the event that the Acquisition Master Agreement is terminated, the Company considers that the risk and possibility of not retrieving the refund of the Consideration is relatively low given that CNTD is a listed company on the Stock Exchange and possesses substantial fixed assets.

Having considered that, among others:–

(i) despite the Consideration is same as the consideration under the Disposal Agreement, the Consideration was primarily based on the assessment of the Target Assets, including but not limited to the valuation prepared by DTZ, details of which are disclosed in the sub-section headed "3.1 The Valuation Report of DTZ" below and the assets and liabilities positions of the Target Assets;

(ii) the Consideration represents a significant discount to the Adjusted NAV (as defined below), details of which are discussed in the sub-section headed "3.2 Analysis on the Consideration" below;

(iii) the Company's sincere intention in acquiring the Target Assets from CNTD given, among others, the optimistic prospect of the property markets in Shanghai and Chengdu and the Acquisition represents a strategic expansion of the Group which is in line with the Group's business strategy as discussed in the section headed "Reasons for and benefits of the Acquisition" above;

(iv) the payment of 80% of Consideration in the early stage was structured to facilitate and expedite the obtaining of approval from the Headquarters of China Development Bank and the refund of the said Consideration is considered to be well-protected, as discussed above, should the Acquisition Master Agreement be terminated;

(v) the possibility of the occurrence of the Liquidated Damages Payment as a result of non-fulfillment of the Conditions Precedent is relatively low given the CMJI's Voting Intention;

(vi) the repayment of the Loan will facilitate a clear cut transaction structure for the Acquisition between CNTD and the Company; and

(vii) as advised by the Management, the unaudited consolidated cash and bank balances of the Company as at 31 March 2016 was approximately RMB2,443 million, which is sufficient to settle the Consideration,

we concur with the Directors that (i) the arrangement for the payment of the Consideration (including the payment of 80% of the Consideration by 9 May 2016); (ii) CNTD's entitlement to RMB263,039,744.6 (being 20% of the Consideration) as liquidated damages; and (iii) the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.1 The Valuation Report of DTZ

We have considered and reviewed, among others, the valuation of the Target Assets as of 31 March 2016 (the "**Valuation**") as detailed in the valuation report as prepared by DTZ (the "**Valuation Report**"), the texts of which are set out in Appendix V to the Circular and discussed with DTZ regarding the methodology of and the principal bases and assumptions adopted for the Valuation. As part of our due diligence, we have assessed the qualification and experience of DTZ for its engagement as the independent professional valuer for the Target Assets. We note that the valuer of the Valuation Report has over 28 years of experience in valuation of properties in the PRC. We are of the view that DTZ possesses sufficient experience in performing the Valuation. DTZ also confirmed that (i) it is independent from the Company; (ii) all relevant material information provided by the Company had been incorporated in the Valuation Report; and (iii) they were not aware of any serious defects or other matters that would cause it to question the truthfulness or reasonableness of the information provided by the Company. We also understand that DTZ has physically inspected the properties of the Target Assets in May 2016. In addition, we have also reviewed the terms of the DTZ's engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

In arriving the market value of the Target Assets, we note that DTZ has adopted principally the direct comparison approach and the investment approach in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and applicable Listing Rules.

In valuing the completed properties in Group I in the PRC, DTZ has used the direct comparison approach assuming sale of the property in its existing state by making reference to comparable sales transactions as available in the relevant market or have used investment approach on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties.

In valuing the properties in Group II which are under construction or Group III for future development in the PRC, DTZ has valued on the basis that each of these properties will be developed and completed in accordance with the latest development proposals of the owner of the Target Assets provided to them (if any). DTZ has assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. DTZ has also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at their opinion of value, they have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "market value when completed" represents their opinion of the aggregate selling prices of the development assuming that it were completed as at the date of valuation.

For property in Group IV, which is leased and operated by the owner of the Target Assets in the PRC, are considered by DTZ to have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of the substantial profit rents.

We have (i) considered and reviewed, among others, the Valuation of the Target Assets as of 31 March 2016 in the Valuation Report as prepared by DTZ and discussed the methodology, bases and assumptions; (ii) interviewed DTZ of its independency, qualification and experience for its engagement; (iii) reviewed the terms of the DTZ's engagement; and (iv) confirmed the independency of DTZ. Accordingly, we consider ourselves having complied with the requirements under Rule 13.80(2) Note 1(d) of the Listing Rules.

Other information regarding the Valuation has been set out in the Valuation Report in Appendix V to the Circular. After considering the reasons for adopting the above valuation methodology for valuing the Target Assets by DTZ, we are of the opinion that such valuation methodology and the bases and assumptions used are reasonable and acceptable in establishing the fair values of the Target Assets.

3.2 Analysis on the Consideration

We note that the market value of the Target Assets in the Valuation Report has not been reflected in the net asset value attributable to the owners of the Target Assets (the "**NAV**") as at 31 December 2015, which we consider that the latest fair value of the Target Assets should be taken into account together with the NAV based on the latest available financial information of the Target Assets, being its financial statements for the year ended 31 December 2015, in order to achieve a more relevant and accurate analysis on the Consideration. We have discussed with the Management and assessed the adjusted net asset value of the Target Assets attributable to the owners of the Target Assets (the "**Adjusted NAV**") by taking into account the NAV and the valuation of the Target Assets as at 31 March 2016 as carried out by DTZ. Accordingly, the Adjusted NAV is approximately RMB641 million and the calculation of the Adjusted NAV is set out below:

	Approximate RMB (million)
NAV attributable to the owners of the Target Assets as at 31 December 2015	(146)
Add: Fair value increment of the Target Assets attributable to the owners of the Target Assets after having taken into account the valuation of the Target Assets as at 31 March 2016 *(Note)*	787
Adjusted NAV attributable to the owners of the Target Assets	641

Note: The fair value increment of net assets in relation to Target Assets was the aggregate of increment amount (i.e. fair value exceeding carrying amount) of individual properties of the Target Assets having taken into the valuation of the Target Assets as at 31 March 2016. Fair value increment of net assets in relation to Target Assets attributable to the owners of the Target Assets is calculated by considering the respective proportion of ownership interest held by the owners of the Target Assets on each individual properties of the Target Assets. Details of which are listed as follows:

	Fair value of properties *(RMB'000)*	**Carrying amount of properties** *(RMB'000)*	**Fair value Increment (based on 100% equity interest)** *(RMB'000)*	**Percentage of equity interest attributable to owners of the Target Assets** *(%)*	**Fair value Increment (attributable to owners of the Target Assets** *(RMB'000)*
Malaren Development and certain rights and obligations relating to the lease of Lake Malaren Golf Course	2,426,000	1,755,152	670,848	72.63	487,237
Malaren Commercial	699,000	641,706	57,294	72.63	41,613
Malaren Corporate	348,800	344,014	4,786	72.63	3,476
Malaren Hospital	759,000	574,221	184,779	100	184,779
Chengdu Real Estate	655,200	584,962	70,238	100	70,238
Total	**4,888,000**	**3,900,055**	**987,945**		**787,343**

We note that the Consideration of approximately RMB238 million as consideration for the Target Assets represents a discount of approximately RMB403 million or 62.9% to the Adjusted NAV.

Having considered that (i) the Consideration of approximately RMB238 million as consideration for the Target Assets represents a discount of 62.9% to the Adjusted NAV which has taken into account the fair value increment of the Target Assets with reference to the Valuation of the Target Assets as of 31 March 2016 conducted by DTZ; (ii) the Valuation was fairly and reasonably derived by DTZ using common and appropriate methodology and based on fair and reasonable bases and assumptions as discussed above; (iii) the Group has sufficient cash resources to satisfy the payment of the Consideration and there is no need to conduct any debt or equity financing; and (iv) the CMJI's Voting Intention indicates that approval from the Independent Shareholders at the SGM for the Acquisition Master Agreement and the transactions contemplated thereunder could very likely be obtained and hence the Conditions Precedent as aforementioned will be fulfilled, we are of the view that the Consideration of approximately RMB238 million as consideration for the Target Assets is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

4. Financial Effect of the Acquisition

It should be noted that the below analyses are for illustrative purpose only and do not purport to represent how the financial position or results of the Group will be upon completion of the Acquisition:

4.1 Net asset value

According to the 2015 Annual Report, the net assets of the Group amounted to approximately HK$8,040 million as at 31 December 2015. Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to the Circular, assuming the Acquisition of Target Assets and transfer of property titles and changes in shareholders had been completed on 31 December 2015, the net assets of the Group would have increased to approximately HK$8,111 million.

4.2 Liquidity

According to the 2015 Annual Report, the bank balances and cash of the Group as at 31 December 2015 amounted to approximately HK$3,050 million. Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to the Circular, the bank balances and cash of the Enlarged Group would be approximately HK$1,490 million assuming the Acquisition of Target Assets and transfer of property title and changes in shareholders had been completed on 31 December 2015.

4.3 Gearing ratio

Based on the 2015 Annual Report, the gearing ratio (defined as the ratio of the Group's net borrowings (after deducting cash and bank balance of approximately HK$3,050 million) over total capital (total equity and net borrowings), and excludes assets classified as held for sale and liabilities directly associated with assets classified as held for sale) was approximately 49% as at 31 December 2015. Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to the Circular, the gearing ratio would be approximately 57% assuming the Acquisition of Target Assets and transfer of property titles and changes in shareholders had been completed on 31 December 2015.

4.4 Earnings

Upon completion of the Acquisition, the financial results of the Target Assets will be consolidated into the financial statements of the Group. Based on the financial results of the Group for the year ended 31 December 2015 and the financial information for the year ended 31 December 2015 in the accountant's report on the Target Assets as set out in Appendix II to the Circular, it is expected by the Management that the Acquisition will have a minor impact on the earnings of the Group.

RECOMMENDATION

Having considered that:–

(i) the Acquisition is in line with the strategic development of the Company such as diversifying its sources of income, developing new projects and readjusting its product mix with the aim to maintain a stable growth by in particular capturing the advantage of the favorable opportunities in the growing property market in Shanghai and Chengdu;

(ii) the Group has sufficient resources to conduct the Acquisition and there is no need to conduct debt or equity financing to complete the Acquisition, hence no additional interests expense nor dilution in existing shareholders' interest in the Company; and

(iii) the Consideration of approximately RMB238 million as consideration for the Target Assets represents a discount of approximately 62.9% to the Adjusted NAV which has taken into account the fair value increment of the Target Assets with reference to the valuation of the Target Assets as at 31 March 2016.

we consider that (i) the terms of the Acquisition as contemplated under the Acquisition Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole.

Having considered the principal factors and reasons above, we therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Acquisition as contemplated under the Acquisition Master Agreement at the SGM.

Yours faithfully,
For and on behalf of
Amasse Capital Limited

May Tsang
Director

Stephen Lau
Associate Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 together with the relevant notes thereto are disclosed in the annual reports of the Company for the years ended 31 December 2013, 2014 and 2015, respectively, which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.equitynet.com.hk/sre):

- The Annual Report 2013 of the Company for the year ended 31 December 2013 published on 24 April 2014 (pages 48 to 144) http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0424/LTN20140424660.pdf;
- The Annual Report 2014 of the Company for the year ended 31 December 2014 published on 23 April 2015 (pages 48 to 142) http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0423/LTN20150423322.pdf; and
- The Annual Report 2015 of the Company for the year ended 31 December 2015 published on 20 April 2016 (pages 49 to 136) http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0420/LTN20160420447.pdf.

2. INDEBTEDNESS

Borrowings

As at 30 April 2016, being the Latest Practicable Date for this indebtedness statement, the details of the Enlarged Group's outstanding borrowings were as follows:

		30 April 2016
		HK$'000
Bank borrowings – self-guarantee, third party guarantee	*(a)*	1,266,611
Bank borrowings – self-guarantee, no third party guarantee	*(a)*	149,609
Bank borrowings – no self-guarantee, third party guarantee	*(a)*	478,339
Bank borrowings – no self-guarantee, no third party guarantee		1,155,234
Other borrowings – self-guarantee, third party guarantee		2,546,332
Other borrowings – self-guarantee, no third party guarantee	*(b)*	–
Other borrowings – no self-guarantee, third party guarantee	*(b)*	–
Other borrowings – no self-guarantee, no third party guarantee	*(b)*	3,062,806
Current portion		**8,658,931**
Bank borrowings – self-guarantee, third party guarantee	*(a)*	1,112,207
Bank borrowings – self-guarantee, no third party guarantee	*(a)*	–
Bank borrowings – no self-guarantee, third party guarantee	*(a)*	174,315
Bank borrowings – no self-guarantee, no third party guarantee		–
Other borrowings – self-guarantee, third party guarantee	*(b)*	–
Other borrowings – self-guarantee, no third party guarantee	*(b)*	–
Other borrowings – no self-guarantee, third party guarantee	*(b)*	–
Other borrowings – no self-guarantee, no third party guarantee		300,000
Non-current portion		**1,586,522**
Total		**10,245,453**

Notes:

(a) As at the close of business on 30 April 2016, the Enlarged Group's bank borrowings of approximately HK$3,181,081,000 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$140,000,000 was secured by pledge of private property held by Mr. Shi Jian.

(b) As at the close of business on 30 April 2016, the Enlarged Group's other borrowings of approximately HK$2,546,332,000 was secured by the pledges of certain leasehold land, properties held or under development for sale and equity interests of certain subsidiaries.

Contingent liabilities

(1) The Enlarged Group provided guarantees in respect of the mortgage facilities granted by certain banks to the certain purchasers of the Enlarged Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Enlarged 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 Enlarged Group is then entitled to take over the legal titles of the related properties. The Enlarged 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 Enlarged Group entered into guarantee contracts of principal amounts totaling approximately RMB6,786,000 and these contracts were still effective as at the close of business on 30 April 2016.

(2) Reference is made to the announcement of the Company on 24 September 2015 in relation to 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 30 April 2016 was approximately RMB2,344,520,400, RMB1,092,520,400 of which is listed in the above bank borrowings of the Enlarged Group. For further details, please refer the aforementioned announcement.

(3) Reference is made to the announcement of the Company on 11 May 2016 in relation to the Additional Guarantees (as defined therein), which involve guarantees, in additional to the Financing Transactions, provided by the Group for certain connected persons of the Company and/or third parties outside the Group. As disclosed in the announcement, the Group had ceased to have any contingent liabilities in relation to the first and second Additional Guarantees. In relation to the third Additional Guarantee, (i) an amount of RMB1,415,894,447 had been categorized and booked under "Other long-term borrowings, current – secured" and an amount of RMB800,000,000 had been categorized and booked under "Other short-term borrowings – secured" in the audited financial statements of the Group for the financial year ended 31 December 2015; (ii) the Company has engaged and will continue to engage in negotiations with the relevant parties for the release of the third Additional Guarantee; and (iii) as at 22 April 2016, the Group had returned approximately RMB1.5 billion to Shanghai Beiban Hegu Investment Centre（上海北阪河谷投資中心）in respect of Phase II of Beiban Hegu Urban Development Fund. Please refer to the aforesaid announcement for further details.

(4) Save as aforesaid, and apart from intra-group liabilities and normal trade and other payable in the ordinary course of business of the Enlarged Group, as at the close of business on 30 April 2016, the Enlarged 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.

3. MATERIAL CHANGE

Save for the following events, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

(i) completion of the disposal of 60% equity interest in Mayson Resources Limited ("Mayson Resources") and 60% of the shareholder's loan owed by Mayson Resources to Sinopower Investment Limited which took place on 4 January 2016 (please refer to the announcement of the Company dated 30 October 2015 for more details); upon completion of the disposal, Mayson Resources has ceased to be a subsidiary of the Company (but remains as an associated company of the Company) and its financial results has ceased to be consolidated to the financial statements of the Company; and

(ii) the information regarding the disposal of the 56% equity interest in Shanghai Skyway Hotel Co., Ltd. ("Shanghai Skyway") as disclosed in the announcement of the Company dated 18 March 2016; upon completion of the disposal which took place on 8 April 2016, Shanghai Skyway has ceased to be a subsidiary of the Company and its financial results has ceased to be consolidated to the financial statements of the Company.

4. WORKING CAPITAL

After taking into account the effect of the Acquisition, the present financial resources available to the Enlarged Group (including internally generated revenue, funds and other available and forthcoming banking facilities), the Board believes that the Enlarged Group shall have sufficient working capital to meet its present requirement for at least 12 months from the date of this circular in the absence of unforeseen circumstance.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon completion of the Acquisition, each of Chengdu Real Estate and Malaren Hospital will become a wholly-owned subsidiary of the Company and each of Malaren Commercial, Malaren Corporate and Malaren Development will become a 72.63%-owned subsidiary of the Company. The Group will continue to insist on the strategy of regional development to further consolidate and develop its market position and influence in the existing regions and cities. In the meantime, the Group will continue to prudently enter other first-tier cities of the PRC for further improvement of the regional layout and increase land reserve of the Company. On the other hand, the Group will continue to explore new opportunities in urban development and renewal, medical and senior properties and cultural tourism and innovative technology properties.

The unaudited consolidated pro forma financial information of the Group illustrating the financial impact of the Acquisition on the assets and liabilities of the Group is set out in Appendix III to this circular. The pro forma financial information of the Group has been prepared for illustrative purpose only, based on the judgments and assumptions of the Directors, and, due to its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date of completion of the Acquisition or any future date.

The following is the text of a report dated 16 June 2016 received from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, for the purpose of incorporation in this circular.

16 June 2016

The Directors
SRE Group Limited
Room 4006, 40th Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Chengdu Shanghai Real Estate Co., Ltd. ("Chengdu Real Estate"), Shanghai Lake Malaren Hospital Investment Co., Ltd. and Shanghai Lake Malaren Obstetrical and Gynecological Hospital Co., Ltd. (collectively "Malaren Hospital"), Shanghai Lake Malaren Corporate Development Co., Ltd. ("Malaren Corporate"), Shanghai Lake Malaren Commercial Management Co., Ltd. ("Malaren Commercial"), Shanghai Lake Malaren Real Estate Development Co., Ltd ("Malaren Development") and certain rights and obligations relating to the lease of Lake Malaren Golf Course (collectively the "Target Assets" as defined in the circular of SRE Group Limited ("SRE") on 16 June 2016) comprising the combined statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Assets for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods"), and the combined statement of financial position of the Target Assets as at 31 December 2013, 2014 and 2015, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation and preparation set out in note 2 of Section II below, for inclusion in the circular of SRE dated 16 June 2016 (the "Circular") in connection with the acquisition of the Target Assets from China New Town Development Co., Ltd. ("CNTD") (the "Acquisition").

The companies and business, which comprising the Target Assets, were incorporated in the People's Republic of China (the "PRC") with limited liabilities. As at the end of the Relevant Periods, CNTD has indirect interests in the companies and business comprising the Target Assets, the particulars of which are set out in note 1 of Section II below.

As at the date of this report, no statutory financial statements have been prepared for the Target Assets as a group as it is not required under the relevant rules and regulations in its jurisdiction of incorporation.

For the purpose of this report, the management of Shanghai Golden Luodian Development Co., Ltd. ("SGLD") are responsible for the preparation of the combined financial statements of the Target Assets (the "Underlying Financial Statements") in accordance with the basis of presentation and preparation set out in note 2 of Section II, and for such internal control as the management determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. The Underlying Financial Statements for each of the years ended 31 December 2013, 2014 and 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The directors of SRE are responsible for the preparation of the Financial Information in accordance with the basis of presentation and preparation set out in note 2 of Section II, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation and preparation as set out in note 2 of Section II, the Financial Information gives a true and fair view of the combined financial position of the Target Assets as at 31 December 2013, 2014 and 2015, and of the combined financial performance and cash flows of the Target Assets for each of the Relevant Periods.

I FINANCIAL INFORMATION OF THE TARGET ASSETS

Combined Statement of Profit or Loss and Other Comprehensive Income
(All amounts expressed in thousands of RMB unless otherwise specified)

	Notes	**2013**	**2014**	**2015**
Revenue	*4*	484,940	289,096	132,124
Cost of sales	*5*	(500,947)	(226,607)	(75,007)
Gross (loss)/profit		(16,007)	62,489	57,117
Other income		986	1,371	1,173
Selling and distribution costs	*5*	(12,376)	(15,967)	(8,846)
Administrative expense	*5*	(56,372)	(121,900)	(132,274)
Other expenses		(1,179)	(621)	(25,104)
Fair value (loss)/gain on completed investment properties		(1,362)	8,674	–
Operating loss		(86,310)	(65,954)	(107,934)
Finance costs	*6*	(83,830)	(98,417)	(74,982)
Loss before tax		(170,140)	(164,371)	(182,916)
Income tax	*7*	(7,279)	(3,219)	(773)
Loss after tax		(177,419)	(167,590)	(183,689)
Other comprehensive income, net of tax		–	–	–
Total comprehensive loss, net of tax		(177,419)	(167,590)	(183,689)
Attributable to:				
Owner of the Target Assets		(143,145)	(138,427)	(153,561)
Non-controlling interests		(34,274)	(29,163)	(30,128)
		(177,419)	(167,590)	(183,689)

Note: Loss per share of the Target Assets for the Relevant Periods are not presented as such information is not considered meaningful in the context of this report.

Combined Statement of Financial Position

(All amounts expressed in thousands of RMB unless otherwise specified)

	Notes	**31 December 2013**	**31 December 2014**	**31 December 2015**
Assets				
Non-current assets				
Property, plant and equipment	*8*	1,331,214	1,370,931	1,312,371
Prepaid land lease payments	*9*	143,812	143,221	139,158
Completed investment properties	*10*	689,000	698,000	698,000
Deferred tax assets	*7*	19,075	16,928	16,521
Other assets		43,908	42,240	40,714
Total non-current assets		2,227,009	2,271,320	2,206,764
Current assets				
Properties under development for sale	*11*	1,557,380	1,575,915	1,614,855
Prepaid land lease payments	*9*	554,439	469,058	443,638
Prepayments		16,329	34,191	9,320
Inventories		1,048	868	899
Other receivables	*12*	95,581	170,289	195,309
Trade receivables		1,643	2,151	2,059
Prepaid income tax		17,480	13,608	25,158
Cash and bank balances	*13*	61,902	68,236	10,672
Total current assets		2,305,802	2,334,316	2,301,910
Total assets		4,532,811	4,605,636	4,508,674
Equity and liabilities				
Equity				
Paid-in capital	*14*	220,000	560,000	560,000
Other reserves		340,000	–	–
Accumulated losses		(414,609)	(582,199)	(765,888)
Total equity		145,391	(22,199)	(205,888)

Combined Statement of Financial Position (continued)

(All amounts expressed in thousands of RMB unless otherwise specified)

	Notes	**31 December 2013**	**31 December 2014**	**31 December 2015**
Attributable to:				
Owner of the Target Assets		146,300	7,873	(145,688)
Non-controlling interests		(909)	(30,072)	(60,200)
		145,391	(22,199)	(205,888)
Non-current liabilities				
Interest-bearing bank borrowings	*15*	1,136,270	942,690	688,619
Deferred revenue arising from sale of golf club membership	*18*	486,126	469,779	452,638
Deferred tax liabilities	*7*	11,044	4,665	4,665
Total non-current liabilities		1,633,440	1,417,134	1,145,922
Current liabilities				
Interest-bearing bank borrowings	*15*	373,680	493,480	488,471
Trade payables	*16*	345,611	456,843	394,061
Other payables and accruals	*16*	1,704,893	2,015,848	2,404,885
Advances from customers	*17*	329,796	244,530	281,223
Total current liabilities		2,753,980	3,210,701	3,568,640
Total liabilities		4,387,420	4,627,835	4,714,562
Total equity and liabilities		4,532,811	4,605,636	4,508,674
Net current liabilities		(448,178)	(876,385)	(1,266,730)
Total assets less current liabilities		1,778,831	1,394,935	940,034

Combined Statement of Changes in Equity

(All amounts expressed in thousands of RMB unless otherwise specified)

	Notes	Paid-in capital	Other reserves	Accumulated losses	Total equity	Attributable to: Owner of the Target Assets	Attributable to: Non-controlling interests
As at 1 January 2013	*14*	220,000	340,000	(237,190)	322,810	289,445	33,365
Total comprehensive loss		–	–	(177,419)	(177,419)	(143,145)	(34,274)
As at 31 December 2013 and 1 January 2014	*14*	220,000	340,000	(414,609)	145,391	146,300	(909)
Capital contribution		340,000	(340,000)	–	–	–	–
Total comprehensive loss		–	–	(167,590)	(167,590)	(138,427)	(29,163)
As at 31 December 2014 and 1 January 2015	*14*	560,000	–	(582,199)	(22,199)	7,873	(30,072)
Total comprehensive loss		–	–	(183,689)	(183,689)	(153,561)	(30,128)
As at 31 December 2015	*14*	560,000	–	(765,888)	(205,888)	(145,688)	(60,200)

Combined Statement of Cash Flows
(All amounts expressed in thousands of RMB unless otherwise specified)

	Note	**2013**	**2014**	**2015**
Cash flows from operating activities				
Loss before tax		(170,140)	(164,371)	(182,916)
Adjustments for:				
Provision/(reversal) of impairment of properties under development for sale	*11*	14,707	(7,015)	10,586
Depreciation of property, plant and equipment	*8*	38,978	65,719	67,334
Amortisation of prepaid land lease payments	*9*	2,668	4,062	4,063
Disposal (gain)/loss of property, plant and equipment		–	(16)	2
Fair value loss/(gain) on completed investment properties	*10*	1,362	(8,674)	-
Interests from bank deposits		(143)	(142)	(154)
Interest expense on borrowings		83,830	98,417	74,982
		(28,738)	(12,020)	(26,103)
Decrease/(increase) in properties under development for sale		189,173	77,530	(16,943)
(Increase)/decrease in inventories		(111)	180	(31)
Decrease/(increase) in prepayments		18,911	(17,862)	24,871
Decrease/(increase) in other receivables and assets		114,849	(73,040)	(23,494)
Decrease/(increase) in trade receivables		5,223	(508)	92
Decrease/(increase) in prepaid income tax		1,864	(3,579)	(11,550)
Decrease in deferred revenue arising from sale of golf club memberships		(17,262)	(16,347)	(17,141)
(Decrease) /increase in advances from customers		(14,848)	(85,266)	36,693
Increase in trade and other payables		149,233	337,730	352,138
Income tax paid		–	–	(366)
Net cash inflow from operating activities		418,294	206,818	318,166

Combined Statement of Cash Flows (continued)
(All amounts expressed in thousands of RMB unless otherwise specified)

	Note	**2013**	**2014**	**2015**
Cash flows from investing activities				
Purchases/construction of property, plant and equipment		(178,660)	(20,626)	(33,212)
Proceeds from disposal of property, plant and equipment		–	127	–
Payments for investment properties		(4,999)	(4,261)	(4,723)
Interest received from bank deposits		143	142	154
Net cash outflow from investing activities		(183,516)	(24,618)	(37,781)
Cash flows from financing activities				
Proceeds from bank borrowings		186,662	148,000	42,500
Repayment of bank borrowings		(329,400)	(221,780)	(301,580)
Interest paid		(110,993)	(102,086)	(78,869)
Net cash outflow from financing activities		(253,731)	(175,866)	(337,949)
Net (decrease)/increase in cash and cash equivalents		(18,953)	6,334	(57,564)
Cash and cash equivalents at beginning of year		80,855	61,902	68,236
Cash and cash equivalents at end of year	*13*	61,902	68,236	10,672

1. GENERAL INFORMATION OF THE TARGET ASSETS

As at the end of the Relevant Periods, CNTD had indirect interests in the companies and business comprising the Target Assets, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ establishment and issued capital	Proportion of ownership interests (%) Direct	Indirect	Principal activities
Shanghai Lake Malaren Hospital Investment Co., Ltd.*	PRC 16 March 2009 RMB200,000,000	–	100.00	Hospital investment and health consultation
Chengdu Real Estate	PRC 20 December 2010 RMB20,000,000	–	100.00	Real estate development
Shanghai Lake Malaren Obstetrical and Gynecological Hospital Co., Ltd.*	PRC 17 October 2013 RMB10,000,000	–	100.00	Gynecology and obstetrics
Malaren Corporate	PRC 8 April 2014 RMB70,000,000	–	72.63	Real estate rental
Malaren Commercial	PRC 8 April 2014 RMB70,000,000	–	72.63	Real estate rental and conference service
Malaren Development	PRC 8 April 2014 RMB200,000,000	–	72.63	Property management and hotel service

* *As at the end of the Relevant Periods, Shanghai Lake Malaren Hospital Investment Co., Ltd. owns 100% interests in Shanghai Lake Malaren Obstetrical and Gynecological Hospital Co., Ltd. (thereafter collectively as "Malaren Hospital").*

Malaren Corporate, Malaren Commercial and Malaren Development are limited liability companies established in the PRC on 8 April 2014 by way of de-merger of SGLD.

2. BASIS OF PRESENTATION AND PREPARTION

On 10 October 2013, CNTD and SRE Investment Holding Limited ("SREI", the parent of SRE at that time) entered into an agreement (the "Disposal Agreement"), pursuant to which CNTD conditionally agreed to sell, and SREI conditionally agreed to purchase certain assets (the "Disposal Assets"). The Disposal Agreement also provides that the parties thereto may after discussion agree to dispose of any part of the Disposal Assets to a third party other than SREI and its subsidiaries.

On 20 April 2016, CNTD entered into an acquisition master agreement (the "Acquisition Master Agreement") with SRE and SREI, pursuant to which CNTD has, among others, conditionally agreed to sell or procure the sale of, and SRE has conditionally agreed to purchase or procure the purchase of, the Target Assets (which form part of the Disposal Assets). Pursuant to the Acquisition Master Agreement, the consideration for the acquisition is RMB1,315 million in cash, comprising approximately RMB238 million as consideration for the Target Assets, and the repayment of approximately RMB1,077 million of the borrowings and payables of the companies holding the Target Assets to other entities within CNTD.

The Financial Information of the Target Assets for each of the Relevant Periods has been prepared solely for the purpose of inclusion in the Circular of SRE in connection with the acquisition of the Target Assets.

As at the end of the Relevant Periods, all of the companies and business now comprising the Target Assets were fellow subsidiaries, which were under the common control of CNTD. None of the companies nor business now comprising the Target Assets owns, directly or indirectly, any interests of the other companies (other than Shanghai Lake Malaren Hospital Investment Co., Ltd. owns 100% interests in Shanghai Lake Malaren Obstetrical and Gynecological Hospital Co., Ltd), and therefore, none of the companies nor business could be regarded as the parent company of the Target Assets. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting at the beginning of the Relevant Periods.

The combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Target Assets for the Relevant Periods include the results and cash flows of the companies and businesses now comprising the Target Assets from the earliest date. The combined statement of financial position of the Target Assets as at 31 December 2013, 2014 and 2015 have been prepared to present the assets and liabilities of the companies and businesses using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the reorganisation.

For the purpose of this report, the Owners of the Target Assets is defined as any entity or entities who will own 100% interests in Chengdu Real Estate, 100% interests in Malaren Hospital, 72.63% interests in Malaren Corporate, 72.63% interests in Malaren Commercial and 72.63% interests in Malaren Development. Equity interests in the Target Assets held by parties other than the Owners of the Target Assets are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

The Financial Information has been prepared under the historical cost convention except for investment properties which are measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Financial Information has been prepared on a going concern basis as if the Target Assets formed a stand-alone group of companies, notwithstanding that as at the end of the Relevant Periods the Target Assets had net current liabilities of approximately RMB1,267 million for the purpose of the Financial Information.

Certain companies were set up during the Relevant Periods, namely Malaren Corporate, Malaren Commercial and Malaren Development, to hold part of the assets/liabilities relating to the business comprise the Target Assets. When preparing the Financial Information of the Target Assets, the management has also adopted the following bases and assumptions:

Malaren Commercial is a limited liability company established in the PRC on 8 April 2014 by way of de-merger of SGLD. Pursuant to the relevant de-merger agreement and Appendix 1-I of the Disposal Agreement, Malaren Commercial shall have legal ownership of the entire interests in (i) European-styled Retail Street of Luodian New Town and (ii) Lake Malaren Convention Centre.

Malaren Corporate is a limited liability company established in the PRC on 8 April 2014 by way of de-merger of SGLD. Pursuant to the relevant de-merger agreement and Appendix 1-I of the Disposal Agreement, Malaren Corporate shall have legal ownership of the entire interest in the retail portion and the unsold office portion of Transport Centre located in Shanghai.

Malaren Development is a limited liability company established in the PRC on 8 April 2014 by way of de-merger of SGLD. Pursuant to the relevant de-merger agreement and Appendix 1-I of the Disposal Agreement, Malaren Development shall have legal ownership of the entire interest in (i) Crowne Plaza Lake Malaren Shanghai Hotel and Golf Clubhouse and (ii) the unsold portion of Lake Malaren Silicon Valley Project.

Before the establish of Malaren Commercial, Malaren Corporate and Malaren Development, the financial information of Retail Street of Luodian New Town, Lake Malaren Convention Centre, the retail portion and the unsold office portion of Transport Centre, Crowne Plaza Lake Malaren Shanghai Hotel and Golf Clubhouse, the unsold portion of Lake Malaren Silicon Valley Project and rights and obligations relating to the lease of Lake Malaren Golf Course were separately accounted or identifiable by SGLD. Therefore, when the management prepares for the Financial Information, the assets, liabilities, incomes and expenses in those separate accounts or identifiable in SGLD's accounts are attributable to the Target Assets as if Malaren Commercial, Malaren Corporate and Malaren Development were already existed in the earliest period.

3.1 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the combined Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods.

In the process of preparing the combined Financial Information, the management has made the following judgement, which has the most significant effect on the amounts recognised in the combined Financial Information:

Judgements

Classification between investment properties and owner-occupied properties

The management determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the management considers whether a property generates cash flows largely independently of the other assets comprising the Target Assets.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each Relevant Periods, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(i) Estimation of fair value of investment property

Investment property was revalued at the end of each Relevant Periods using the income approach on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the management considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each Relevant Periods.

For details of changes in fair values of the investment property, please see note 10.

(ii) Carrying amount of properties under development for sale

The properties under development for sale are stated at the lower of cost and net realisable value.

The costs of properties under development for sale comprise specifically identified cost, including acquisition costs, development expenditures and borrowing costs and other related expenditure directly attributable to the development of such properties. Net realisable value is based on the estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to complete, and net of selling and marketing costs.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of properties under development for sale over their net realisable values should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties under development for sale in the periods in which such estimate is changed will be adjusted accordingly.

(iii) Deferred tax assets, liabilities and current income tax charge

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Deferred tax liabilities are recognised for taxable temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Target Assets in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed. For details of deferred tax assets and liabilities, please see note 7.

(iv) Useful lives and impairment of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Such estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in note 8. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and the value in use, where the calculations of which involve the use of estimates. For details of property, plant and equipment, please see note 8.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Target Assets measures non-financial assets such as investment properties, at fair value at the end of each Relevant Periods, which are disclosed in note 10.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Target Assets.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Assets uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 –	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 –	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 –	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information on a recurring basis, the Target Assets determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Target Assets has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value (10% of the cost) over its estimated useful life. The estimated useful lives for this purpose are as follows:

Hotel properties	Building 30 years, equipment 10 years, fixtures and fittings 5 years
Golf operational assets	Golf course between 40 and 50 years, club buildings 30 years, club equipment 10 years, club fixtures and fittings 5 years
Other buildings	20 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

When parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the fair value less cost to sell and the carrying amount of the relevant asset.

CIP represents buildings under construction and is stated at cost less any impairment in value, and is not depreciated. Cost mainly comprises the direct costs during the period of construction and capitalised interest. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment property represents completed property to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met and it is accounted for as a finance lease.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in profit or loss in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period Financial Information.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Properties under development for sale

Properties under development for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties under development for sale comprise specifically identified cost, including acquisition costs, development expenditures and borrowing costs and other related expenditure directly attributable to the development of such properties. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Any excess of cost over the net realisable value of individual items of properties under development is recognised as an allowance.

Inventories

Inventories, which mainly refer to supplies and low-value consumables used in hotel and golf course operations, are accounted for at cost when purchased. Cost of supplies is determined using the first-in, first-out method. Low-value consumables relating to golf course and hotel operations are expensed in full when issued for use.

Inventories are valued at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is the estimated selling price in the ordinary course of business, less estimated expenses and related taxes necessary to make the sales. The net realisable value is determined based on contract prices or market prices. Any excess of cost over the net realisable value of individual items of inventories is recognised as an allowance.

Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the combined statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Assets if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control of the Target Assets;

(ii) has significant influence over the Target Assets; or

(iii) is a member of the key management personnel of the Target Assets or of a parent of the Target Assets;

or

(b) the party is an entity if any of the following conditions applies:

(i) the entity and the Target Assets are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Target Assets are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Assets or an entity related to the Target Assets;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Assets or to the parent of the Target Assets.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Assets is the lessor, assets leased by the Target Assets under operating leases are included in assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Target Assets is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost. The subsequent measurement of prepaid land lease payments is as follows:

i) Prepaid land lease payments incurred for properties other than investment properties and investment properties under construction, are amortised over the lease terms on the straight-line basis. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in profit or loss.

ii) Prepaid land lease payments included in investment properties and investment properties under construction are not amortised as they are stated at fair value.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Assets operates.

Deferred tax is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

– when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

– The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

– Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

– Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Assets and when the revenue can be measured reliably, on the following bases:

Sale of development properties

Revenue from the sale of properties is recognised upon completion of a sale agreement, which refers to the time when properties are completed and delivered to the buyers. Deposits and instalments received on properties sold prior to the completion of the respective sale agreements are included as advances received from the pre-sale of properties under development.

Hotel operations revenue

Hotel operations revenue represents the income from hotel and convention centre rooms and conference facilities, and the sale of related food and beverages, which is recognised when the services are rendered or the goods are sold.

Golf club membership revenue

Golf club membership entitles the members to golf operations related services provided during the membership period or to purchase goods or services at prices lower than those charged to non-members. Golf club membership revenue is recognised on the straight-line basis which reflects the expected period when the benefits are provided.

Operating lease income

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when at the inception of the lease, it is reasonably certain that the lessee will exercise the option.

Property management revenue

Property management revenue is recognised in the accounting period in which the services are rendered.

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Target Assets operating in Mainland China (the "PRC group companies") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Target Assets with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as expenses when incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of fund. The interest capitalised is calculated using the Target Assets' weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a set of properties acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Target Assets. Contingent liabilities and assets are not recognised on the statement of financial position of the Target Assets.

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, the grant is deducted from the relevant asset before arriving at the carrying amount of the asset. The grant is recognised in the statement of profit or loss and other comprehensive income over the time of asset realisation by way of a reduced cost of assets' charge. Grants received in connection with the Target Assets' role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facility services.

3.3 NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Target Assets' Financial Information are disclosed below. The management intends to adopt these standards, if applicable, when they become effective.

HKFRS 9	*Financial Instruments*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]
HKFRS 16	*Leases*[4]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 7	*Statement of Cash Flows*[2]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018
[4] Effective for annual periods beginning on or after 1 January 2019
[5] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Assets

4. REVENUE

Revenue represents the net invoiced value of goods sold; the properties sold; the value of services rendered; room charges from hotel operations and gross rental income received and receivable from investment properties during the year.

	2013	2014	2015
Hotel operations	10,620	19,142	19,726
Golf operations	21,002	21,002	20,972
Investment property leasing	4,345	15,337	17,130
Property development	480,755	234,649	48,600
Hospital operations	–	18,592	36,326
Less: Business tax and surcharges	(31,782)	(19,626)	(10,630)
Total revenue	484,940	289,096	132,124

5. EXPENSE BY NATURE

	2013	2014	2015
Cost of property development	495,619	211,538	60,362
Depreciation of property, plant and equipment	38,978	65,719	67,334
Amortisation of prepaid land lease payments	2,668	4,062	4,063
Employee benefit	11,934	26,938	29,243
Property tax, stamp duty and land use tax	961	4,633	5,497
Cost of inventories	3,858	8,577	6,946
Property management service expenses	–	3,305	5,199
Utility expenses	1,105	7,487	8,047
Advertising	5,565	3,664	1,280
Others	9,007	28,551	28,156
Total cost of sales, selling and distribution costs and administrative expenses	569,695	364,474	216,127

6. FINANCE COSTS

	2013	2014	2015
Interest on bank and other borrowings	110,993	102,086	82,145
Less: Interest capitalised	(27,163)	(3,669)	(7,163)
	83,830	98,417	74,982

7. INCOME TAX EXPENSE

	2013	2014	2015
Income tax charge:			
Current income tax	–	7,451	366
Deferred tax	900	2,147	407
Deferred LAT	6,379	(6,379)	–
Income tax as reported in the combined statement of profit or loss and other comprehensive income	7,279	3,219	773

The Target Assets conducts its business in Mainland China and the applicable income tax rate in Mainland China is generally 25%, in accordance with the PRC Corporate Income Tax Law.

A reconciliation of the tax expense/(credit) applicable to profit before tax using the statutory tax rate of 25% for the jurisdiction in which the Target Assets is domiciled to the tax expense/(credit) at the effective tax rate is as follows:

	2013	2014	2015
Loss before tax	(170,140)	(164,371)	(182,916)
Tax at the statutory tax rate	(42,535)	(41,093)	(45,729)
Tax losses not recognised	34,082	39,814	41,827
Non-deductible expenses for tax purposes	9,353	3,426	4,309
Effect of LAT	6,379	1,072	366
Income tax as reported in the combined statement of profit or loss and other comprehensive income	7,279	3,219	773

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when the deferred tax assets and liabilities relate to income taxes, if any, levied by the same tax authority and the same taxable entity.

Deferred income tax relates to the following:

	Combined statement of financial position			Combined statement of profit or loss and other comprehensive income		
	2013	2014	2015	2013	2014	2015
Deferred tax assets/ (liabilities)						
Net difference between net carrying amount of property, plant and equipment and their tax base	(31,321)	(31,321)	(31,321)	–	–	–
Net difference between net carrying amount of investment properties and their tax base	(60,043)	(60,043)	(60,043)	(900)	–	–
Losses available for offsetting against future taxable income	2,554	407	–	–	(2,147)	(407)
Difference in accounting and tax base arising from golf club revenue and related costs	107,885	107,885	107,885	–	–	–
Effect of deferred LAT	(11,044)	(4,665)	(4,665)	(6,379)	6,379	–
Net deferred tax assets	8,031	12,263	11,856			
Deferred income tax (charge)/credit				(7,279)	4,232	(407)
Deferred tax assets	19,075	16,928	16,521			
Deferred tax liabilities	(11,044)	(4,665)	(4,665)			

8. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties	Golf operational assets	Buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
Original cost							
At 1 January 2013	729,689	612,544	–	5,887	3,500	350,229	1,701,849
Transfers	–	–	464,952	–	–	(464,952)	–
Additions	–	–	–	24,631	667	129,277	154,575
Disposals	–	–	–	–	–	–	–
At 31 December 2013	729,689	612,544	464,952	30,518	4,167	14,554	1,856,424
Transfers	–	–	–	–	–	–	–
Additions	–	–	101,421	3,545	679	–	105,645
Disposals	–	–	–	(20)	(261)	–	(281)
At 31 December 2014	729,689	612,544	566,373	34,043	4,585	14,554	1,961,788
Transfers	–	–	–	–	–	–	–
Additions	–	–	2,960	5,410	524	–	8,894
Disposals	–	–	–	(14)	–	–	(14)
At 31 December 2015	729,689	612,544	569,333	39,439	5,109	14,554	1,970,668
Accumulated depreciation							
At 1 January 2013	216,624	118,515	–	3,705	1,431	–	340,275
Provided during the year	16,847	19,057	2,325	243	880	–	39,352
Disposals	–	–	–	–	–	–	–
At 31 December 2013	233,471	137,572	2,325	3,948	2,311	–	379,627
Provided during the year	27,974	18,531	13,949	4,794	569	–	65,817
Disposals	–	–	–	(18)	(152)	–	(170)
At 31 December 2014	261,445	156,103	16,274	8,724	2,728	–	445,274
Provided during the year	27,532	17,478	17,243	4,731	468	–	67,452
Disposals	–	–	–	(12)	–	–	(12)
At 31 December 2015	288,977	173,581	33,517	13,443	3,196	–	512,714
Impairment							
At 1 January 2013	145,583	–	–	–	–	–	145,583
Recognised during the year	–	–	–	–	–	–	–
Reversals	–	–	–	–	–	–	–
At 31 December 2013	145,583	–	–	–	–	–	145,583
Recognised during the year	–	–	–	–	–	–	–
At 31 December 2014	145,583	–	–	–	–	–	145,583
Recognised during the year	–	–	–	–	–	–	–
At 31 December 2015	145,583	–	–	–	–	–	145,583
Net carrying amount							
At 1 January 2013	367,482	494,029	–	2,182	2,069	350,229	1,215,991
At 31 December 2013	350,635	474,972	462,627	26,570	1,856	14,554	1,331,214
At 31 December 2014	322,661	456,441	550,099	25,319	1,857	14,554	1,370,931
At 31 December 2015	295,129	438,963	535,816	25,996	1,913	14,554	1,312,371

9. PREPAID LAND LEASE PAYMENTS

The prepaid land lease payments represent prepaid operating lease payments and their movements are analysed below:

	31 December 2013	31 December 2014	31 December 2015
In Mainland China, held on:			
– Leases of between 10 and 50 years	324,010	308,317	294,649
– Leases of over 50 years	374,241	303,962	288,147
	698,251	612,279	582,796
At beginning of year	840,521	698,251	612,279
Additions	–	3,471	–
Amortisation charged to profit or loss	(2,668)	(4,062)	(4,063)
Amortisation into construction in progress	(233)	–	–
Amortisation into properties under development for sale	(139,369)	(85,381)	(25,420)
At the end of the year	698,251	612,279	582,796

As at 31 December 2015, the above prepaid land lease payments included a balance of RMB443,638 thousand (2014: RMB469,058 thousand; 2013: RMB554,439 thousand) which was held for development into properties for sale. Therefore they were classified as current assets.

10. COMPLETED INVESTMENT PROPERTIES

	31 December 2013	31 December 2014	31 December 2015
At beginning of year	688,900	689,000	698,000
Add: capital expenditures	1,462	326	–
Add: (loss)/gain from (decrease)/increase in fair value	(1,362)	8,674	–
At the end of the year	689,000	698,000	698,000

Changes in fair values of investment properties are recognised in profit or loss. The completed investment properties at their net book values are analysed as follows:

Description	Location	Existing use	31 December 2013	31 December 2014	31 December 2015
Scandinavia Street	Shanghai, PRC	Retail street	479,000	488,000	488,000
Shopping mall	Shanghai, PRC	Supermarket	210,000	210,000	210,000
			689,000	698,000	698,000

11. PROPERTIES UNDER DEVELOPMENT FOR SALE

	31 December 2013	31 December 2014	31 December 2015
At cost:			
In Shanghai City, PRC	1,303,909	1,321,689	1,329,366
In Chengdu City, PRC	268,178	261,918	303,767
	1,572,087	1,583,607	1,633,133
Provision for the excess of cost over net realisable value	(14,707)	(7,692)	(18,278)
	1,557,380	1,575,915	1,614,855

12. OTHER RECEIVABLES

	31 December 2013	31 December 2014	31 December 2015
Other receivables, gross	95,581	170,289	195,309
Less: Impairment	–	–	–
Other receivables, net	95,581	170,289	195,309

An aged analysis of the other receivables is as follows:

	31 December 2013	31 December 2014	31 December 2015
Within 6 months	1,746	76,385	13,423
6 months to 1 year	40,624	1,072	20,345
1 year to 2 years	52,639	41,518	76,258
2 year to 3 years	572	51,039	34,298
Over 3 years	–	275	50,985
	95,581	170,289	195,309

13. CASH AND BANK BALANCES

	31 December 2013	31 December 2014	31 December 2015
Cash on hand	198	1,221	105
Cash at banks	61,704	67,015	10,567
Cash and cash equivalents	61,902	68,236	10,672
Restricted bank deposits	–	–	–
	61,902	68,236	10,672

Cash at banks earns interest at floating rates based on daily bank deposit rates and were all denominated in RMB.

There were no restricted bank deposits as at 31 December 2013, 2014, and 2015.

14. PAID-IN CAPITAL

The combined paid-in capital is RMB560,000 thousand as at 31 December 2015.

Details of paid-in capital are as follows:

	31 December 2013	31 December 2014	31 December 2015	Attributable to owners of the Target Assets
Shanghai Lake Malaren Hospital Investment Co., Ltd.	200,000	200,000	200,000	100%
Malaren Development	–	200,000	200,000	72.63%
Malaren Corporate	–	70,000	70,000	72.63%
Malaren Commercial	–	70,000	70,000	72.63%
Chengdu Real Estate	20,000	20,000	20,000	100%
	220,000	560,000	560,000	

15. INTEREST-BEARING BANK BORROWINGS

	31 December 2013	31 December 2014	31 December 2015
Bank and other borrowings – secured	1,509,950	1,036,170	797,090
Bank and other borrowings – guaranteed	–	400,000	380,000
	1,509,950	1,436,170	1,177,090

The interest-bearing bank and other borrowings are repayable as follows:

	31 December 2013	31 December 2014	31 December 2015
Within 6 months	299,140	418,940	351,694
6 months to 9 months	32,270	24,770	29,770
9 months to 12 months	42,270	49,770	107,007
1 year to 2 years	496,580	618,780	321,789
2 years to 5 years	587,360	280,660	172,660
Over 5 years	52,330	43,250	194,170
	1,509,950	1,436,170	1,177,090

The bank and other borrowings in RMB bore interest at rates ranging from 4.41% to 10.00% per annum for the year ended 31 December 2015 (2014: from 5.90% to 10.00%; 2013: from 5.90% to 7.21%).

Bank and other borrowings – secured

As at 31 December 2015, bank borrowings of RMB772,090 thousand (2014: RMB1,006,170 thousand; 2013: RMB1,509,950 thousand) were pledged by the Target Assets' certain properties, including property, plant and equipment, completed investment properties, properties under development for sale as well as prepaid land lease payments, whose net carrying amounts at 31 December 2015 were RMB89,373 thousand (2014: RMB100,056 thousand; 2013: RMB110,640 thousand), RMB605,365 thousand (2014: RMB605,365 thousand; 2013: RMB596,365 thousand), RMB1,216,759 thousand (2014: RMB1,203,706 thousand; 2013: RMB1,282,194 thousand) and RMB450,900 thousand (2014: RMB460,629 thousand; 2013: RMB384,114 thousand), respectively. Among which, a loan of RMB79,570 thousand (2014: RMB88,650 thousand; 2013: RMB97,730 thousand) was also guaranteed by Mr. Shi Jian besides collateral, and loans of RMB407,100 thousand (2014: RMB589,600 thousand; 2013: RMB471,600 thousand) was also guaranteed by SRE besides collateral. Among the above, a balance of RMB97,700 thousand was also guaranteed by SGLD as at 31 December 2013.

Another loan of RMB285,420 thousand (2014: RMB327,920 thousand; 2013: RMB402,920 thousand) was also guaranteed by several companies and individuals, who are SGLD, Malaren Commercial, SRE, Shanghai Shuo Cheng Real Estate Ltd., Malaren Development, Mr. Shi Jian and Ms. Si Xiaodong as well as Wuxi Yong Qing Real Estate Co., Ltd., besides collateral.

As at 31 December 2015, bank borrowings of RMB25,000 thousand (2014: RMB30,000 thousand; 2013: nil) were pledged by real estate of Shanghai Anderson Fuxing Land Co., Ltd..

Bank and other borrowings – guaranteed

As at 31 December 2015, a long-term loan of RMB380,000 thousand (2014: RMB400,000 thousand) was guaranteed by several companies and individuals, who are SGLD, SRE, Shanghai Shuo Cheng Real Estate Ltd., Malaren Development, Mr. Shi Jian and Ms. Si Xiaodong as well as Wuxi Yong Qing Real Estate Co., Ltd..

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	31 December 2013	31 December 2014	31 December 2015
Trade payables	345,611	456,843	394,061
Accruals for commission of golf club membership	25,059	25,173	25,115
Payroll and welfare	411	270	531
Accrued interest payable on bank borrowings	–	–	3,276
Other taxes payable:			
Business tax payable	32,476	34,129	34,788
Property tax payable	46,181	46,181	45,512
Land use tax payable	14,376	14,376	14,376
Other miscellaneous tax	229	6,840	541
Obligation to construct a food market in Chengdu	13,723	13,723	13,723
Sponsorship of National Ballet	10,000	10,000	10,000
Amount due to Shanghai Fuze Investment Management Ltd	–	20,000	58,000
Amount due to related parties	1,499,368	1,788,413	2,140,706
Others	63,070	56,743	58,317
	2,050,504	2,472,691	2,798,946

Terms and conditions of the above liabilities:

- Trade payables are non-interest-bearing and are normally settled when they are due or within one year.

- Payroll and welfare are normally settled within the next month.
- Other payables and other tax payables are non-interest-bearing and are normally settled when they are due or within one year.

An aged analysis of the trade payables as at the reporting dates is as follows:

	31 December 2013	31 December 2014	31 December 2015
Within 1 year	344,104	336,944	77,401
1 to 2 years	1,253	119,899	218,442
Over 2 years	254	–	98,218
	345,611	456,843	394,061

17. ADVANCES FROM CUSTOMERS

Advances from customers mainly represented the pre-sale proceeds of properties when they are still under development. As contracted with customers, advances amounting to a substantial portion of the sales consideration are paid to the Target Assets shortly from the signing of the pre-sale contracts. Such amounts held by the Target Assets are non-interest-bearing. Business tax, generally calculated at a rate of 5% on the advances received, is imposed by the tax authorities.

18. DEFERRED INCOME

The revenue arising from the sale of golf club membership is deferred and recognised on the straight-line basis over the expected period when the related benefits would be provided.

19. RELATED PARTIES AND RELATED PARTY TRANSACTION

Apart from the balances as disclosed in the note 16 to the Financial Information, the Target Assets did not have other material transactions and balances with related parties during the Relevant Periods.

20 COMMITMENTS AND CONTINGENT LIABILTIES

The Target Assets provided guarantees in respect of the mortgage facilities granted by certain banks to the certain purchasers of the Target Assets' properties at the end of each Relevant Periods. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Target Assets is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Target Assets' guarantee periods commence from the dates of grant of the relevant mortgage loans and end when the purchasers pledge related property certificates as securities to the banks for the mortgage loans granted by the banks. The Target Assets entered into guarantee contracts of principal amounts totalling approximately RMB294 million (2014: RMB259 million; 2013: RMB213 million).

The Target Assets did not incur any material losses during the period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Target Assets' properties as of each Relevant Periods. The management considers that the probability of default of purchasers is remote and even in case of default on payments, the net realisable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, because the mortgage principals were normally below 70% of sales price of the properties at date of sales agreement, and therefore no provision has been made in connection with the guarantees.

21. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Assets in respect of any period subsequent to 31 December 2015.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the Accountants' Report on the Target Assets from Ernst & Young, the Company's reporting accountants, as set out in "Appendix II – Accountants' Report on the Target Assets", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the Accountants' Report set out in "Appendix II – Accountants' Report on the Target Assets".

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma financial information of SRE Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and an assets group (the "Target Assets") acquired from China New Town Development Company Limited ("CNTD") comprising of 100% equity interest in Chengdu Shangzhi Real Estate Co., Ltd. ("Chengdu Real Estate"), 100% equity interest in Shanghai Lake Malaren Hospital Investment Co., Ltd. ("Malaren Hospital"), 72.63% equity interest in Shanghai Lake Malaren Commercial Management Co., Ltd. ("Malaren Commercial"), 72.63% equity interest in Shanghai Lake Malaren Corporate Development Co., Ltd. ("Malaren Corporate"), certain rights and obligations relating to the lease of Lake Malaren Golf Course and 72.63% equity interest in Shanghai Lake Malaren Real Estate Development Co., Ltd. ("Malaren Development") (together with the Group, hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information"), which have been prepared on the basis as set out in the notes below for the purpose of illustrating the effect of the proposed acquisition of Target Assets ("Acquisition of Target Assets").

The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of illustrating the effect of Acquisition of Target Assets as if the Acquisition of Target Assets and transfer of property titles and changes in shareholders had been completed on 31 December 2015.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "Directors") to provide pro forma financial information of the Enlarged Group upon completion of Acquisition of Target Assets, transfer of property titles and changes in shareholders. It is prepared for illustrative purpose only and based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition of Target Assets, transfer of property titles and changes in shareholders or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the pro forma financial information of the Group included in the published circular dated 16 June 2016, the accountants' report of the Target Assets as set out in Appendix II to the circular and other financial information included elsewhere in the circular.

	The Group as at 31 December 2015	Target Assets as at 31 December 2015	Target Assets as at 31 December 2015	Unaudited Pro Forma Adjustments				Unaudited Pro Forma of the Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
ASSETS								
Non-current assets								
Property, plant and equipment	468,829	1,312,371	1,566,449		278,974			2,314,252
Investment properties	5,725,705	698,000	833,134		34,614			6,593,453
Prepaid land lease payments	50,842	139,158	166,100		31,886			248,828
Goodwill	227,370	–	–					227,370
Investments in associates	55,069	–	–					55,069
Other assets	–	40,714	48,597					48,597
Deferred tax assets	310,284	16,521	19,719					330,003
Available-for-sale investment	11,936	–	–					11,936
Long term Investments	–	–	–	284,374			(284,374)	–
TOTAL NON-CURRENT ASSETS	6,850,035	2,206,764	2,633,999					9,829,508
Current assets								
Prepaid land lease payments	4,697,787	443,638	529,527		110,369			5,337,683
Properties held or under development for sale	5,192,599	1,614,855	1,927,494		723,371			7,843,464
Inventories	17,655	899	1,074					18,729
Prepayments and other current assets	2,623,121	9,320	11,125					2,634,246
Other receivables	360,978	195,309	233,121					594,099
Trade receivables	69,640	2,059	2,457					72,097
Notes receivable	645	–	–					645
Prepaid income tax	186,114	25,158	30,028					216,142
Available-for-sale investment	1,790	–	–					1,790
Loans and receivables	255,908	–	–					255,908
Cash and bank balances	3,049,760	10,672	12,738	(1,572,406)				1,490,092
Assets classified as held for sale	11,493,976	–	–					11,493,976
TOTAL CURRENT ASSETS	27,949,973	2,301,910	2,747,564					29,958,871
TOTAL ASSETS	34,800,008	4,508,674	5,381,563	(1,288,032)	1,179,214	–	(284,374)	39,788,379

	The Group as at 31 December 2015	Target Assets as at 31 December 2015	Target Assets as at 31 December 2015	Unaudited Pro Forma Adjustments				Unaudited Pro Forma of the Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
LIABILITIES								
Current liabilities								
Interest-bearing bank and other borrowings	8,422,193	488,471	583,040					9,005,233
Advances received from the pre-sale of properties under development	2,361,360	281,223	335,669					2,697,029
Trade payables	814,468	394,061	470,352					1,284,820
Other payables and accruals	956,431	2,404,885	2,870,476	(1,285,450)				2,541,457
Current income tax liabilities	1,231,397	–	–					1,231,397
Liabilities directly associated with the assets classified as held for sale	8,830,293	–	–					8,830,293
TOTAL CURRENT LIABILITIES	22,616,142	3,568,640	4,259,537					25,590,229
NET CURRENT ASSETS/ (LIABILITIES)	5,333,831	(1,266,730)	(1,511,973)					4,368,642
Non-current liabilities								
Interest-bearing bank and other borrowings	2,496,551	688,619	821,938					3,318,489
Deferred tax liabilities	1,647,654	4,665	5,568			574,917		2,228,139
Deferred revenue arising from sale of golf club membership	–	452,638	540,270					540,270
TOTAL NON-CURRENT LIABILITIES	4,144,205	1,145,922	1,367,776					6,086,898
TOTAL LIABILITIES	26,760,347	4,714,562	5,627,313	(1,285,450)	–	574,917	–	31,677,127
EQUITY	8,039,661	(205,888)	(245,750)	(2,582)	1,179,214	(574,917)	(284,374)	8,111,252
TOTAL LIABILITIES AND EQUITY	34,800,008	4,508,674	5,381,563					39,788,379

Notes:

1. The amounts are extracted from the audited condensed consolidated statement of financial position of the Company as at 31 December 2015 included in the published annual report of the Group for the year ended 31 December 2015 dated 31 March 2016.

2. The amounts are extracted from the Accountants' Report of the Target Assets as at 31 December 2015 as set out in Appendix II to this circular and converted into Hong Kong dollars ("HKD") which is the presentation currency of the Group, using an exchange rate of RMB1 to HKD1.1936.

3. On 20 April 2016 (after trading hours), the Company entered into the Acquisition Master Agreement with China New Town Development Company Limited ("CNTD") and SRE Investment Holding Limited ("SREI"), pursuant to which CNTD has, among others, conditionally agreed to sell or procure the sale of, and the Company has conditionally agreed to purchase or procure the purchase of, the Target Assets. Pursuant to the Acquisition Master Agreement, the consideration for the Acquisition is RMB1,315,198,723 (approximately HKD1,569,824 thousand) in cash comprising RMB238,248,140 (approximately HKD284,374 thousand) as consideration for the Target Assets, the repayment of RMB1,076,950,583 (approximately HKD1,285,451 thousand) of payables due to CNTD and/or its subsidiaries (other than the Target Assets).

   The adjustment also includes legal and other professional fees, and other transaction cost relating to the Acquisition. The estimated transaction costs of approximately HKD2,582 thousand is assumed to be fully settled upon the completion of the Acquisition.

4. The details of the fair value of identifiable net assets in relation to Target Assets at 31 December 2015 based on the Target Assets' unaudited management accounts are set out below:

	HKD'000
Carrying values of net assets/(liabilities) in relation to Target Assets as of 31 December 2015	(245,750)
Add: Fair value increment of net assets in relation to Target Assets	1,179,214
Less: Deferred tax liabilities arising from fair value increment of net assets in relation to Target Assets	(574,917)
Fair value of identifiable net assets in relation to Target Assets as at 31 December 2015	358,547
Fair value of identifiable net assets in relation to Target Assets as at 31 December 2015 attributable to the Company	327,490
Fair value of identifiable net assets in relation to Target Assets as at 31 December 2015 attributable to Non-Controlling Interest	31,057

   The pro forma adjustment with regard to the valuation of net assets was made with reference to the valuation report by DTZ Cushman & Wakefield Limited, an independent professional qualified valuer not connected to the Group, based on a valuation of the relevant assets at 31 March 2016 using the direct comparison approach and investment approach.

Fair value increment of net assets in relation to Target Assets was the aggregate of increment amounts (i.e. fair value exceeding carrying amount) of individual properties totaling RMB987,945 thousand (equivalent to HKD1,179,214 thousand). Details are listed as follows:

	Fair value of properties *RMB'000*	**Carrying amount of properties** *RMB'000*	**Fair value increment** *RMB'000*
Malaren Development and certain rights and obligations relating to the lease of Lake Malaren Golf Course	2,426,000	1,755,152	670,848
Malaren Commercial	699,000	641,706	57,294
Malaren Corporate	348,800	344,014	4,786
Malaren Hospital	759,000	574,221	184,779
Chengdu Real Estate	655,200	584,962	70,238
Total	4,888,000	3,900,055	987,945

The reconciliation between the carrying amount and fair value of identifiable net assets in relation to Target Assets as at 31 December 2015 is outlined above. Fair value of identifiable net assets in relation to Target Assets as at 31 December 2015 attributable to the Company is calculated by considering the proportion of ownership interest held by the Company upon the completion of the Acquisition of Target Assets, transfer of property titles and changes in shareholders.

Total fair value of properties of RMB4,888 million include RMB150 million for Golf course ("Golf course") which locates in Luodian New Town, Baoshan District, Shanghai, the PRC. According to the valuation report (Appendix V, page V-38 to V-39, Note (1)), the above mentioned valuation for Golf course was based on the special assumptions that the buildings and structures erected are authorized and in compliance with the relevant planning and construction requirements and any pre-requisite approvals would have been obtained from the relevant government authorities. The valuer is of the opinion that the Market Value of the property, as a fully operational entity of golf club as at the date of valuation and the property is not subject to alienation restriction and can be freely transferred in the market without payment of any land premium, was in the sum of RMB150 million.

Total fair value of properties of RMB4,888 million comprise fair value attributable to both the parent company and non-controlling interest.

5. Deferred tax liabilities comprise deferred income tax of approximately HKD201,432 thousand representing 25% of the fair value adjustment on net assets in relation to Target Assets and deferred land appreciation tax ("LAT") of approximately HKD373,485 thousand, which is accrued based on the assumptions used in the valuation of the properties including revenue from sale of development property as well as construction costs. Detailed calculation is listed as follows:

a) Deferred income tax

		HKD'000
Fair value increment of net assets in relation to Target Assets	A	1,179,214
Less: Deferred LAT	B	373,485
Income tax base	C=A-B	805,729
Income tax rate	D	25%
Deferred income tax	E=C*D	201,432

b) Deferred LAT

Deferred LAT of RMB312,906 thousand (approximately HKD373,485 thousand) is calculated for Silicon Valley Centre (under construction development of portion of Phase 1 and Phase 2). Details are listed as follows:

		RMB'000
Market value of the proposed development upon completion	A	1,855,000
Total construction cost incurred	B	3,420
Outstanding construction cost for completion of the property	C	663,541
Land cost	D	66,533
		733,494
Development expenses	E=(B+C+D)*10%	73,349
Additional deductions allowed for LAT calculation purpose	F=(B+C+D)*20%	146,699
Total deduction	G= B+C+D+E+F	953,542
Land appreciation amount	H=A-G	901,458
Land appreciation rate	H/G	95%
Land appreciation tax	H*40%-G*5%	312,906

6. The adjustment reflects the elimination of the cost of investment in Target Assets of HKD284,374 thousand. The difference between total consideration and total fair value of net assets in relation to Target Assets is as follow:

	HKD'000
Consideration for the Acquisition of Target Assets	284,374
Less: Fair value of identifiable net assets in relation to Target Assets as at 31 December 2015 attributable to the Company	327,490
Negative goodwill	(43,116)

Total fair value of identifiable net assets in relation to Target Assets attributable to the Company in excess of total consideration (negative goodwill) will be recognised separately in the consolidated statement of profit or loss and other comprehensive income of the Enlarged Group upon completion of Acquisition of Target Assets.

7. The effect of the pro forma adjustments is to increase equity by HKD71,591 thousand due to:

	HKD'000
Recognition of negative goodwill upon completion of transaction	43,116
Recognition of legal and other professional costs as expense	(2,582)
Fair value of identifiable net assets in relation to Target Assets as at 31 December 2015 attributable to Non-Controlling Interest	31,057
	71,591

Apart from the above, no other adjustments have been made to reflect any trading result or other transactions of the Group and the Target Assets entered into subsequent to 31 December 2015. Unless otherwise stated, the adjustments above were not expected to have a continuing effect on the Enlarged Group.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET ASSETS

Business Review

The Target Assets comprise various types of property projects, such as residential, commercial, health care and public facilities, mainly located in Shanghai, which is geographically the base for the Group's property development business.

Financial Review

The Target Assets recorded continuous losses of RMB177,419,000, RMB167,590,000 and RMB183,689,000 for the three financial years ended 31 December 2013, 31 December 2014, 31 December 2015 respectively and net liabilities position as at 31 December 2014 and 2015, respectively, due to various reasons: (i) certain pre-sold properties (such as properties in the Chengdu Albany Oasis Garden Project) have not been delivered to the buyers and therefore the sales proceeds have not yet been reflected in the financial statements of the relevant Target Assets; (ii) certain investment properties (such as Lake Malaren Hospital Project) are still at their early stage of operation and therefore the operating expenses are relatively large; and (iii) due to change in market positioning, certain properties for lease (such as shop spaces of Retail Street of Luodian New Town (北歐風情街)) are currently soliciting for new tenants after expiration of previous leases, resulting in unsatisfactory rental income as anticipated.

Liquidity capital and financial resources

As at 31 December 2013, 2014 and 2015, the net current liabilities were RMB448,178,000, RMB876,385,000 and RMB1,266,730,000.

As at 31 December 2013, 2014 and 2015, the cash and cash equivalents of the Target Assets were RMB61,902,000, RMB68,236,000 and RMB10,672,000, respectively.

Revenue and cost of sales

For the year ended 31 December 2013, 2014 and 2015, revenue from the Target Assets amounted to RMB484,940,000, RMB289,096,000 and RMB132,124,000, respectively, while cost of sales amounted to RMB500,947,000, RMB226,607,000 and RMB75,007,000, respectively.

Selling and marketing costs

For the year ended 31 December 2013, 2014 and 2015, selling and marketing costs amounted to RMB12,376,000, RMB15,967,000 and RMB8,846,000, respectively.

Administrative expenses

During the period, administrative expenses of the Target Assets mainly included depreciation of property, plant and equipment, cost of property development and employee benefit. For the three years ended 31 December 2013, 2014 and 2015, administrative expenses of the Target Assets amounted to RMB56,372,000, RMB121,900,000and RMB132,274,000, respectively.

Number of staff and remuneration policy of staff

For the year ended 31 December 2013, 2014 and 2015, number of staff of the Target Assets were approximately 977, 1,001 and 937.

In accordance with the relevant laws and regulations of the PRC, the Target Assets must make contribution to the social insurance contribution scheme, which includes the endowment insurance, medical insurance and unemployment insurance for the employees.

Borrowings and collaterals

During the three years ended 31 December 2013, 2014 and 2015, relevant borrowings of the Target Assets amounted to RMB1,509,950,000, RMB1,436,170,000 and RMB1,177,090,000, respectively. The bank borrowings of RMB1,509,950,000 as at 31 December 2013, RMB1,006,170,000 as at 31 December 2014 and RMB772,090,000 31 December 2015, were pledged by the Target Assets' certain properties, including property, plant and equipment, completed investment properties, properties under development for sale as well as prepaid land lease payments.

Gearing ratio and capital structure

As at 31 December 2013, 2014 and 2015, gearing ratios (total loans/total assets) of the Target Assets were approximately 33.3%, 31.2% and 26.1%, respectively. As at 31 December 2013, 2014 and 2015, loans of the Target Assets mainly included interest-bearing bank borrowing.

Treasury policies and foreign exchange risk

For the three years ended 31 December 2013, 2014 and 2015, there were no formal treasury policy. The revenue and expenses of the Target Assets were dominated in RMB and there was no trading in foreign currency. Therefore, it is not exposed to material foreign exchange.

Contingent liabilities

As at 31 December 2013, 2014 and 2015, the Target Assets did not have any contingent liability.

Material acquisition and disposal

The Target Assets did not have any material acquisition and disposal of subsidiaries and associated companies during the period for year ended 31 December 2013, 2014 and 2015.

Significant investments

During the three years ended 31 December 2013, 2014 and 2015, there was no significant investment held by Target Assets.

Future Prospect

There are no committed material investment, capital assets and expected source of funding. The Target Assets will continue to engage its principal business upon completion of the Acquisition including real estate development and operation, import and export of goods and technology and property management, hospital investment, healthcare consultation and public facilities, business administration, investment consultation and corporate management, and conference and exhibition services.

The Directors consider that large scale property projects such as the Target Assets are of sustainable growth potential in the context of the optimistic prospect of the property market in Shanghai and Chengdu. The Directors have already been formulating management strategies for the Target Assets with a view to improving the operational efficiency of the Target Assets, expanding their target market and customer base and thus improving the performance of the Target Assets as a whole. The Directors believe that with the Company's extensive experience in the development and operation of real estate properties in the PRC, acquisition of the Target Assets will bring along positive impact on the businesses of the Group and thus create value for the Shareholders. Therefore, the Directors consider that the Acquisition is in the interest of the Company and the Shareholders as a whole.

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of CNTD as at 31 March 2016.

DTZ CUSHMAN & WAKEFIELD 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

16 June 2016

The Directors
SRE Group Limited
Suite 4006, 40th Floor
Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

Dear Sirs,

1. Instructions, Purpose & Date of Valuation

We refer to your instructions from SRE Group Limited ("the Company") for us to value the property interests of certain assets including 100% equity interest in Chengdu Real Estate Co., Ltd, 100% equity interest in Shanghai Lake Malaren Hospital Investment Co., Ltd, 72.63% equity interest in Shanghai Lake Malaren Commercial Management Co., Ltd, 72.63% equity interest in Shanghai Lake Malaren Corporate Development Co., Ltd, certain rights and obligation relating to the lease of Lake Malaren Golf Course and 72.63% equity interest in Shanghai Lake Malaren Real Estate Development Co., Ltd and its subsidiaries (together referred to as the "Target Assets") in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 31 March 2016.

2. Definition of Market Value

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation 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".

3. Valuation Basis and Assumptions

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, The Codes on Takeovers and Mergers issued by the Securities and Futures Commission and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

We have also complied with the requirement set out in Rule 11.2(d) of The Codes on Takeovers and Mergers in preparation of our valuation in relation to the group of properties under development.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have relied on the information and advice given by the Company and the PRC property legal opinion prepared by the Company's legal adviser, Allbright Law Offices（錦天城律師事務所）regarding the title to each of the properties and the interests of the Target Assets in the properties.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Company are set out in the notes of the respective valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale.

For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties include:

(a) business tax at a rate of 5% of consideration for the property in the PRC;

(b) profits tax on the profit from the sale at rate of 25% for the property in the PRC; and

(c) land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value from not more than 50% to more than 200%.

The Company advises that the potential tax liabilities estimated to be approximately RMB312.9 million would arise if such properties were to be sold at the amount of the valuation. The above amount is for indicative purpose and is calculated based on prevailing rules and information available as at the Latest Practicable Date.

4. Method of Valuation

In valuing the completed properties in Group I in the PRC, we have used the direct comparison approach assuming sale of the properties in its existing state by making reference to comparable sales transactions as available in the relevant market or have used Investment Approach on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties.

In valuing the properties in Group II which are under construction or Group III for future development in the PRC, we have valued on the basis that each of these properties will be developed and completed in accordance with the owner of Target Assets latest development proposals provided to us (if any). We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "market value when completed" represents our opinion of the aggregate selling prices of the development assuming that it were completed as at the date of valuation.

For property in Group IV, which is leased and operated by the owner of Target Assets in the PRC, is considered to have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of the substantial profit rents.

5. Sources of Information

We have been provided by the Company with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Company and its legal adviser, Allbright Law Offices（錦天城律師事務所）regarding the title to each of the properties and the interests of the Target Assets in the properties. In respect of the properties in the PRC, we have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Target Assets and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

6. Title Investigation

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company and its legal adviser regarding the Target Assets's interests in the PRC.

7. Site Inspection

Mr. Eric Fan, MRICS, Director of DTZ Shanghai office, inspected the exterior and, whenever possible, the interior of the properties in May 2016. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or other structural defects. No test was carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

8. Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Cushman & Wakefield Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S.
Senior Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 28 years of experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 March 2016 *(RMB)*	Interest attributable to the Target Assets *(%)*	Market value in existing state attributable to the Target Assets as at 31 March 2016 *(RMB)*
Group I – Completed properties held by the Target Assets in the PRC				
1.	Lake Malaren Convention Centre in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖會議中心	188,000,000	72.63	136,500,000
2.	Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮上海美蘭湖皇冠假日酒店	307,000,000	72.63	223,000,000
3.	Various shops in Retail Street of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮風情街商舖	511,000,000	72.63	371,100,000
4.	Retail portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的商舖部份	216,000,000	72.63	156,900,000

	Property	Market value in existing state as at 31 March 2016 *(RMB)*	Interest attributable to the Target Assets *(%)*	Market value in existing state attributable to the Target Assets as at 31 March 2016 *(RMB)*
5.	Unsold portion of Phase 1 of Lake Malaren Silicon Valley in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖矽谷一期未售部份	1,369,000,000	72.63	994,300,000
6.	Lake Malaren Maternity Hospital Project in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖婦產科醫院	759,000,000	100	759,000,000
7.	UHO Project, No. 222 Meidan Road, Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美丹路222號UHO項目	132,800,000	72.63	96,500,000
8.	Unsold portion of Chengdu Albany Oasis Garden Project, Sanguan Village, Hongguang Town, Pi County, Chengdu, Sichuan Province, the PRC 中國四川省成都市郫縣紅光鎮三觀村成都綠洲雅賓利花園項目未售部份	66,000,000	100	66,000,000
	Sub-total of Group I:	**3,548,800,000**		**2,803,300,000**

	Property	Market value in existing state as at 31 March 2016 *(RMB)*	Interest attributable to the Target Assets *(%)*	Market value in existing state attributable to the Target Assets as at 31 March 2016 *(RMB)*
Group II – Properties held by the Target Assets under development in the PRC				
9.	Under construction development known as of portion of Phase 1 and Phase 2 of Lake Malaren Silicon Valley in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖矽谷一期部份及二期在建項目	600,000,000	72.63	435,800,000
10.	The under construction development known as Part 1 of Phase 2 of Chengdu Albany Oasis Garden Project, Sanguan Village, Hongguang Town, Pi County, Chengdu, Sichuan Province, the PRC 中國四川省成都市郫縣紅光鎮三觀村成都綠洲雅賓利花園二期一標段在建項目	328,000,000	100	328,000,000
	Sub-total of Group II:	**928,000,000**		**763,800,000**

	Property	Market value in existing state as at 31 March 2016 *(RMB)*	Interest attributable to the Target Assets *(%)*	Market value in existing state attributable to the Target Assets as at 31 March 2016 *(RMB)*
Group III – Property held by the Target Assets for future development in the PRC				
11.	Development site for the proposed development known as Part 2 of Phase 2 of Chengdu Albany Oasis Garden Project, Sanguan Village, Hongguang Town, Pi County, Chengdu, Sichuan Province, the PRC 中國四川省成都市郫縣紅光鎮三觀村成都綠洲雅賓利花園二期二標段待建土地	261,200,000	100	261,200,000
	Sub-total of Group III:	**261,200,000**		**261,200,000**
Group IV – Leased property held by the Target Assets in the PRC				
12.	Golf course in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮高爾夫球場	No commercial value	72.63	No commercial value
	Sub-total of Group IV:	**No commercial value**		**No commercial value**
	Grand total of Group I to IV :	**4,738,000,000**		**3,828,300,000**

VALUATION CERTIFICATE

Group I – Completed properties held by the Target Assets in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
1.	Lake Malaren Convention Centre in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市 寶山區 羅店新鎮 美蘭湖會議中心	Luodian New Town is a comprehensive development comprising retail shops, convention centre/ hotel complex, golf course, clubhouse, hotel and various land parcels planned for residential developments. The property comprises a 5-storey convention centre complex erected on a parcel of land with site area of approximately 26,116 sq m in Luodian New Town. The property comprises 4 convention halls, 2 multifunctional halls, 22 conference rooms, an exhibition hall, theatre, restaurants, 76 guest rooms, other entertainment facilities and underground car parking spaces. Completed in 2004, the property has a total gross floor area of approximately 33,537.26 sq m. The property is held with land use rights for a term of 50 years from 26 October 2005 to 25 October 2055 for public facilities use.	The property is operated as a convention centre complex.	RMB188,000,000 (72.63% interest attributable to the Target Assets: RMB136,500,000)

Notes:–

(1) According to Shanghai Certificate of Real Estate Ownership No. (2015) 002387 dated 19 January 2015 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in 上海美蘭湖商業管理有限公司 (Shanghai Lake Malaren Commercial Management Co., Ltd.) as follows:

Owner	:	Shanghai Lake Malaren Commercial Management Co., Ltd.
Location	:	No. 888 Luofen Road, Luonan Town, Baoshan District
Land area	:	26,116 sq m
Land use	:	Public facilities
Land use term	:	From 26 October 2005 to 25 October 2055
Gross floor area	:	33,537.26 sq m
Building uses	:	Hotel
Number of stories	:	5
Year of completion	:	2004

(2) According to Planning Permit for Construction Use of Land No. (2003) 0087 issued by Urban Planning Administrative Bureau of Baoshan District on 14 April 2003, the construction project of 羅店新鎮美蘭湖會議中心 (Lake Malaren Convention Centre of Luodian New Town) on the land parcel situated on the south side of Nuobeier Road and on the west side of Luotai Road, with a site area of 18,340 sq m is in compliance with the urban planning requirements.

(3) According to Planning Permit for Construction Works No. (2003) 0383 issued by Planning Administrative Bureau of Baoshan District on 23 October 2003, the construction works of the convention centre on the land parcel situated on the south side of Nuobeier Road and on the west side of Luotai Road, with a construction scale of 34,560 sq m are in compliance with the urban planning requirements and have been approved.

(4) According to Business Licence No. 310000400734014 dated 25 June 2015, 上海美蘭湖商業管理有限公司 (Shanghai Lake Malaren Commercial Management Co., Ltd.) has been established as a limited company with a registered capital of RMB700,000,000 and an operating period from 8 April 2014 to 7 April 2039. The scope of business comprises property lease, property management, business management, business information consulting, investment consulting, events and exhibition service.

(5) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Shanghai Certificate of Real Estate Ownership of the property is legal, valid and enforceable under the PRC laws. There is a procedural defect in the process of obtaining the land use right, but 上海美蘭湖商業管理有限公司 (Shanghai Lake Malaren Commercial Management Co., Ltd.) has entered the Grant Contract of State-owned Land Use Rights, paid all land premium, obtained the valid Certificate of Real Estate Ownership, and acquired a written confirmation of Urban Planning Administrative Bureau of Baoshan District that the related government department will not revoke the land use right or give the administrative punishments due to the procedural defect. So there is low probability that the land use right to be revoked due to the procedural defect;

(ii) 上海美蘭湖商業管理有限公司 (Shanghai Lake Malaren Commercial Management Co., Ltd.) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 上海美蘭湖商業管理有限公司 (Shanghai Lake Malaren Commercial Management Co., Ltd.) has the right to freely occupy and use the land use rights and building ownership of the property. The property has been mortgaged and its registration has been finished; and

(iv) All land premium stated in the Grant Contract of Stated-owned Land Use Rights have been duly paid and settled.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
2.	Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮上海美蘭湖皇冠假日酒店	Luodian New Town is a comprehensive development comprising retail shops, convention centre/ hotel complex, golf course, clubhouse, hotel and various land parcels planned for residential developments. The property comprises a 9-storey hotel consisting of 274 guest rooms, underground car parking spaces, Chinese and western restaurants, bars, indoor swimming pools, gyms, spas and other facilities in Luodian New Town. Completed in 2006, the property has a total gross floor area of approximately 38,215.82 sq m of which approximately 30,105.94 sq m is above ground and approximately 8,109.88 sq m is underground. The property is held with land use rights of for a term of 40 years from 18 July 2003 to 17 July 2043 for commercial use.	The property is operated as a hotel under the name "Crowne Plaza Lake Malaren Shanghai Hotel " and is subject to a management agreement dated 20 June 2007 with 假日酒店(中國)有限公司for an initial term of 10 years after the full opening of the hotel; and an automatic renewal term of 10 years unless notice is given by either party to terminate the agreement.	RMB307,000,000 (72.63% interest attributable to the Target Assets: RMB223,000,000)

Notes:–

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007) 040750 dated 28 August 2007 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in Shanghai Golden Luodian Development Ltd as follows:

Owner	:	Shanghai Golden Luodian Development Ltd.
Location	:	Qiu 88/8, Jiefang 5, Luonan Town, Baoshan District
Land use	:	Commercial and service
Land use term	:	From 18 July 2003 to 17 July 2043 (40 years)
Site area	:	336,491 sq m
Year of completion	:	2006
Gross floor area	:	49,708.83 sq m

As advised by the Company, pursuant to the de-merger agreement of Shanghai Golden Luodian Development Co., Ltd., the property will be transferred to the newly established Shanghai Lake Malaren Real Estate Development Co., Ltd. The acquisition of property by the Company will be implemented through the transfer to it the relevant equity interests of the company owning (or will be owning) the property and completing procedures for the change of the name of the company as owner of the property in the relevant local government department.

(2) As advised by the Company, there are a hotel and a golf club house building located on the land. The Company cannot provide evidence to ascertain a separate site area for the portion of land occupied by the hotel and clubhouse building.

(3) According to Planning Permit for Construction Use of Land No. (2002) 0275 issued by Planning Administrative Bureau of Baoshan District on 31 December 2002, the construction project of 羅店新鎮高爾夫俱樂部、練習場 (Driving range of golf club of Luodian New Town) on the land parcel situated on the west side of Panjing Road, with a site area of 340,000 sq m is in compliance with the urban planning requirements.

(4) According to Planning Permit for Construction Works No. (2004) 0268 issued by Planning Administrative Bureau of Baoshan District on 22 October 2004, the construction works of 羅店新鎮高爾夫俱樂部A幢 (Block A of golf club of Luodian New Town) on the land parcel situated Meilanhu Road, with an area of 37,661 sq m are in compliance with the urban planning requirements and have been approved.

(5) According to Business Licence No. 310000400317858 dated 19 June 2012, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) has been established as a limited company with a registered capital of RMB548,100,000 and an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention centre.

(6) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Shanghai Certificate of Real Estate Ownership of the property is legal, valid and enforceable under the PRC laws. There is a procedural defect in the process of obtaining the land use right, but 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) (SGLD) has entered the Grant Contract of State-owned Land Use Rights, paid all land premium, obtained the valid Certificate of Real Estate Ownership, and acquired a written confirmation of Urban Planning Administrative Bureau of Baoshan District that the related government department will not revoke the land use right or give SGLD administrative punishments due to the procedural defect. So there is low probability that SGLD's land use right to be revoked due to the procedural defect;

(ii) SGLD is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) SGLD has the right to freely occupy and use the land use rights and building ownership of the property. The property has been mortgaged and its registration has been finished; and

(iv) All land premium stated in the Grant Contract of Stated-owned Land Use Rights have been paid and settled.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Shnaghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
3.	Various shops in Retail Street of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮風情街商舖	Luodian New Town is a comprehensive development comprising retail shops, convention centre/ hotel complex, golf course, clubhouse, hotel and various land parcels planned for residential developments. The property comprises various shops and public utilities in Luodian New Town. The property was completed in 2004 and renovation works were completed in 2008. The property has a total gross floor area of approximately 72,942.58 sq m. The property is held with land use rights for a term due to expire on 25 October 2055 for public facilities use.	As at the date of valuation, portion of the property was subject to various lease agreements and the last expiry date of the lease agreements was 28 June 2021. The remaining portion of the property was vacant.	RMB511,000,000 (72.63% interest attributable to the Target Assets: RMB371,100,000)

Notes:–

(1) According to Shanghai Certificate of Real Estate Ownership No. (2015) 036193 dated 7 August 2015, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.)
Location	:	No. 8 Lanes 989, Luofen Road, Luonan Town, Baoshan Distirct
Land use	:	Public facilities
Lot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From 26 October 2005 to 25 October 2055 (50 years)
Site area	:	90,329 sq m
Year of completion	:	2004
Gross floor area	:	15,587.81 sq m

As advised by the Company, pursuant to the de-merger agreement of Shanghai Golden Luodian Development Co., Ltd., the property will be transferred to the newly established Shanghai Lake Malaren Commercial Management Co., Ltd. The acquisition of property by the Company will be implemented through the transfer to it the relevant equity interests of the company owning (or will be owning) the property and completing procedures for the change of the name of the company as owner of the property in the relevant local government department.

(2) According to Shanghai Certificate of Real Estate Ownership No. (2015) 035570 dated 6 August 2015, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海美蘭湖商業管理有限公司 (Shanghai Lake Malaren Commercial Management Co., Ltd.)
Location	:	No. 63 to 66 in Lanes 555 Luofen Road and No. 86 to 88 and Basement car park in Lane 698 Luofen Road
Land use	:	Public facilities
Lot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From 26 October 2005 to 25 October 2055 (50 years)
Site area	:	90,329 sq m
Year of completion	:	2008
Gross floor area	:	10,054.01 sq m

(3) According to Shanghai Certificate of Real Estate Ownership No. (2015) 036208 dated 7 August 2015, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海美蘭湖商業管理有限公司 (Shanghai Lake Malaren Commercial Management Co., Ltd.)
Location	:	No. 26, Lanes 989 Luofen Road
Land use	:	Public facilities
Lot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From 26 October 2005 to 25 October 2055 (50 years)
Site area	:	90,329 sq m
Year of completion	:	2008
Gross floor area	:	47,300.76 sq m

(4) According to Business Licence No. 310000400317858 dated 19 June 2012, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) has been established as a limited company with a registered capital of RMB548,100,000 and an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention centre.

According to Business Licence No. 310000400734014 dated 25 June 2015, 上海美蘭湖商業管理有限公司 (Shanghai Lake Malaren Commercial Management Co., Ltd.) has been established as a limited company with a registered capital of RMB700, 000,000 and an operating period from 8 April 2014 to 7 April 2039. The scope of business comprises property lease, property management, business management, business information consulting, investment consulting, events and exhibition service.

(5) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Shanghai Certificates of Real Estate Ownership of the property are legal, valid and enforceable under the PRC laws. There is a procedural defect in the process of obtaining the land use right, but 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) (SGLD) has entered the Grant Contract of State-owned Land Use Rights, paid all land premium, obtained the valid Certificate of Real Estate Ownership, and acquired a written confirmation of Urban Planning Administrative Bureau of Baoshan District that the related government department will not revoke the land use right or give SGLD administrative punishments due to the procedural defect. So there is low probability that SGLD's land use right to be revoked due to the procedural defect;

(ii) SGLD is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property except for the part of renovation works;

(iii) SGLD has the right to freely occupy and use the land use rights and building ownership of the property. The property has been mortgaged and its registration has been finished; and

(iv) All land premium stated in the Grant Contract of Stated-owned Land Use Rights have been duly paid and settled.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Shanghai Certificates of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
4.	Retail portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的商舖部份	Luodian New Town is a comprehensive development comprising retail shops, convention centre/ hotel complex, golf course, clubhouse, hotel and various land parcels planned for residential developments. Completed in 2012, the property comprises the retail portion of Transport Center in Luodian New Town. The property has a total above ground gross floor area of approximately 21,575.19 sq m and a total under ground gross floor area of approximately 7,813.51 sq m. The property is held with land use rights for terms of 50 years and 40 years from the date of delivery of the land for transport use and commercial use respectively.	As at the date of valuation, portion of the property was subject to various lease agreements and the last expiry date of the lease agreements was 31 December 2030. The remaining portion of the property was vacant.	RMB216,000,000 (72.63% interest attributable to the Target Assets: RMB156,900,000)

Notes:–

(1) According to Shanghai Certificate of Real Estate Ownership No. (2012) 013525 dated 18 May 2012, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.)
Location	:	Qiu 93/20, Jiefang 10, Luonan Town, Baoshan District
Land use	:	Other commercial use
Land use term	:	From 15 December 2009 to 14 December 2059 (50 years for public transport use)
		From 15 December 2009 to 14 December 2049 (40 years for commercial use)
Site area	:	17,969 sq m
Gross floor area	:	21,575.19 sq m

As advised by the Company, pursuant to the de-merger agreement of Shanghai Golden Luodian Development Co., Ltd., the property will be transferred to the newly established Shanghai Lake Malaren Commercial Management Co., Ltd. The acquisition of property by the Company will be implemented through the transfer to it the relevant equity interests of the company owning (or will be owning) the property and completing procedures for the change of the name of the company as owner of the property in the relevant local government department.

(2) According to Shanghai Certificate of Real Estate Ownership No. (2012) 013526 dated 18 May 2012, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.)
Location	:	Qiu 93/20, Jiefang 10, Luonan Town, Baoshan District
Land use	:	Other commercial use
Land use term	:	From 15 December 2009 to 14 December 2059 (50 years for public transport use)
		From 15 December 2009 to 14 December 2049 (40 years for commercial use)
Site area	:	17,969 sq m
Gross floor area	:	7,813.51 sq m

(3) According to Planning Permit of Construction Use of Land No. (2009) EA31011320091523 issued by 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan District of Shanghai Municipality) on 10 December 2009, the construction site of the property for transport and commercial uses with a site area of 17,969.20 sq m is in compliance with the urban planning requirements.

(4) According to Business Licence No. 310000400317858 dated 19 June 2012, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) has been established as a limited company with a registered capital of RMB548,100,000 and an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention centre.

(5) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Shanghai Certificate of Real Estate Ownership of the property is legal, valid and enforceable under the PRC laws;

(ii) 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) (SGLD) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) SGLD has the right to freely occupy and use the land use rights and building ownership of the property. The property has been mortgaged and its registration has been finished; and

(iv) All land premium stated in the Grant Contract of Stated-owned Land Use Rights have been duly paid and settled.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Shanghai Certificates of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
5.	Unsold portion of Lake Malaren Silicon Valley Project in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖矽谷項目未售部份	Luodian New Town is a comprehensive development comprising retail shops, convention centre/hotel complex, golf course, clubhouse, hotel and various land parcels planned for residential developments. The property comprises the unsold portion of a development known as Lake Malaren Silicon Valley Project which is erected on a parcel of land with a total site area of approximately 336,491 sq m. Completed in 2012 the property comprises the unsold portion with a total gross floor area of approximately 30,423.16 sq m. The property is held with land use rights for a term due to expire on 17 July 2043 for commercial use.	As at the date of valuation, the unsold part of property was vacant.	RMB1,369,000,000 (72.63% interest attributable to the Target Assets: RMB994,300,000)

Notes:–

(1) According to Shanghai Certificate of Real Estate Ownership No. (2013) 027600 dated 23 May 2013, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.)
Location	:	No. 8189, Lanes 8, Meilanhu Road, Luonan Town, Baoshan Distirct
Land use	:	Commercial use
Lot no.	:	Qiu 88/8, Jiefang 5, Luonan Town, Baoshan District
Land use term	:	From 18 July 2003 to 17 July 2043 (40 years)
Site area	:	336,491 sq m
Year of completion	:	2012
Gross floor area	:	37,090.53 sq m

As advised by the owner of the property, the unsold portion of the property has a total gross floor area of approximately 30,423.16 sq m.

As advised by the Company, pursuant to the de-merger agreement of Shanghai Golden Luodian Development Co., Ltd., the property will be transferred to the newly established Shanghai Lake Malaren Real Estate Development Co., Ltd. The acquisition of property by the Company will be implemented through the transfer to it the relevant equity interests of the company owning (or will be owning) the property and completing procedures for the change of the name of the company as owner of the property in the relevant local government department.

(2) According to Shanghai Certificate of Real Estate Ownership No. (2013) 027135 dated 21 May 2013, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.)
Location	:	No. 8189, Lanes 8, Meilanhu Road, Luonan Town, Baoshan Distirct
Land use	:	Commercial use
Lot no.	:	Qiu 88/8, Jiefang 5, Luonan Town, Baoshan District
Land use term	:	From 18 July 2003 to 17 July 2043 (40 years)
Site area	:	336,491 sq m
Year of completion	:	2012
Gross floor area	:	33,257.75 sq m

As advised by the owner of the property, the unsold underground portion of the property with a total gross floor area of approximately 33,257.75 sq m will be hold and occupied by the Group.

(3) As advised by the owner of the property, a portion of the property with floor area of approximately 4,617.13 sq m are subject to various agreements for sale and purchase for a total consideration of RMB198,601,860. The total consideration aforesaid in respect of this portion of the property is reflected and included in our valuation shown above.

(4) According to Business Licence No. 310000400317858 dated 19 June 2012, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) has been established as a limited company with a registered capital of RMB548,100,000 and an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention centre.

(5) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Shanghai Certificates of Real Estate Ownership of the property are legal, valid and enforceable under the PRC laws. There is a procedural defect in the process of obtaining the land use right, but 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) (SGLD) has entered the Grant Contract of State-owned Land Use Rights, paid all land premium, obtained the valid Certificate of Real Estate Ownership, and acquired a written confirmation of Urban Planning Administrative Bureau of Baoshan District that the related government department will not revoke the land use right or give SGLD administrative punishments due to the procedural defect. So there is low probability that SGLD's land use right to be revoked due to the procedural defect;

(ii) SGLD is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property except for the part of renovation works;

(iii) SGLD has the right to freely occupy and use the land use rights and building ownership of the property. The property has been mortgaged and its registration has been finished; and

(iv) All land premium stated in the Grant Contract of Stated-owned Land Use Rights have been duly paid and settled.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Shanghai Certificates of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
6.	Lake Malaren Maternity Hospital Project in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖婦產科醫院	The property comprises a hospital development developed on a parcel of land with site area of approximately 34,192 sq m. Completed in 2014, the property comprises the following gross floor areas: **Use** / **Approximate Gross Floor Area** *(sq m)* Hospital 26,706 Ancillary facilities 11,229 Basement car parking spaces 7,826 Total: 45,761 The property is held with land use rights for a term of 50 years due to expire on 4 March 2062 for health care and sanitary use.	As at the date of valuation, the property was operated as a hospital.	RMB759,000,000 (100% interest attributable to the Target Assets: RMB759,000,000)

Notes:–

(1) According to Grant Contract of State-owned Land Use Rights No. (2012) 15 entered into between 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan Distrct of Shanghai Municipality) (the "Grantor") and 上海美蘭湖醫院投資有限公司 (Shanghai Lake Malaren Hospital Investment Co. Ltd.) (the "Grantee") on 5 March 2012, the Grantor has granted the land use rights of a parcel of land to the Grantee with details as follows:–

(i)	Location	:	north of Mei Lok Road, east of Luoying Road
(ii)	Site area	:	34,192.3 sq m
(iii)	Use	:	Health care and sanitary use
(iv)	Consideration	:	RMB47,219,600
(v)	Land use term	:	50 years

(2) According to Shanghai Certificate of Real Estate Ownership No. (2012) 007583 dated 23 March 2012, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海美蘭湖醫院投資有限公司 (Shanghai Lake Malaren Hospital Investment Co. Ltd.)
Location	:	Qiu 67/10. Jiefang 0005, Luonan Town
Land use	:	Health care and sanitary use
Lot no.		Qiu 67/10. Jiefang 5, Luonan Town
Land use term	:	From 5 March 2012 to 4 March 2062
Site area	:	34,192 sq m

(3) According to Planning Permit of Construction Use of Land No. (2011) EA31011320110951 issued by 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan District of Shanghai Municipality) on 29 June 2011, the construction site of the property for public faciliies use with a site area of 34,192 sq m is in compliance with the urban planning requirements.

(4) According to Planning Permit for Construction Works No. (2012) FA31011320124200 dated 16 April 2012, the construction works of the property, with a total gross floor area of 45,003 sq.m., is in compliance with the construction works requirements and have been approved.

(5) According to Permit for Commencement of Construction Works No. 1101BS0056D01 310113201106100419 issued by Shanghai Construction Committee on 4 May 2012, the property with a total gross floor area of 45,003 sq.m., is in compliance with the requirements for works commencement and have been permitted.

(6) According to Business Licence No. 310113000075907 dated 3 July 2012, 上海美蘭湖醫院投資有限公司 (Shanghai Lake Malaren Hospital Investment Co. Ltd.) has been established as a limited company with a registered capital of RMB200,000,000 and operation period from 16 March 2009 to 15 March 2019.

(7) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海美蘭湖醫院投資有限公司 (Shanghai Lake Malaren Hospital Investment Co. Ltd.) can lawfully enjoy the land use rights under such certificate;

(ii) 上海美蘭湖醫院投資有限公司 (Shanghai Lake Malaren Hospital Investment Co. Ltd.) has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property; and

(iii) 上海美蘭湖醫院投資有限公司 (Shanghai Lake Malaren Hospital Investment Co. Ltd.) has the right to occupy, use and mortgage the land use rights and building ownership during the term of such rights in accordance with the PRC laws; and

(8) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Grant Contract of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
7.	Unsold portion of UHO Project, No.222 Meidan Road, Luodian New Town Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新城美丹路222號UHO項目	Luodian New Town is a comprehensive development comprising retail shops, convention centre/hotel complex, golf course, clubhouse, hotel and various land parcels planned for residential developments. The property comprises an office building in Luodian New Town. The property was completed in 2013. The unsold portion of the property has a total gross floor area of approximately 16,020.99 sq m. The property is held with land use rights for terms of 50 years and 40 years from the date of delivery of the land for transport use and commercial use respectively.	As at the date of valuation, the unsold portion of the property was vacant.	RMB132,800,000 (72.63% interest attributable to the Target Assets: RMB96,500,000)

Notes:–

(1) According to Shanghai Certificate of Real Estate Ownership No. (2013) 039968 dated 20 July 2013, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.)
Location	:	No. 222 Meidan Road, Baoshan Distirct
Land use	:	Transport use and commercial use
Lot no.	:	Qiu 93/20, Jiefang 10, Luonan Town, Baoshan District
Land use term	:	Transport use from 15 December 2009 to 14 December 2059
		Commercial use from 15 December 2009 to 14 December 2049
Site area	:	17,969 sq m
Year of completion	:	2013
Gross floor area	:	41,099.99 sq m

As advised by the owner of the property, the unsold portion of the property has a total gross floor area of approximately 16,020.99 sq m.

As advised by the Company, pursuant to the de-merger agreement of Shanghai Golden Luodian Development Co., Ltd., the property will be transferred to the newly established Shanghai Lake Malaren Commercial Management Co., Ltd. The acquisition of property by the Company will be implemented through the transfer to it the relevant equity interests of the company owning (or will be owning) the property and completing procedures for the change of the name of the company as owner of the property in the relevant local government department.

(2) As advised by the owner of the property, a portion of the property with floor area of approximately 3,107.03 sq m are subject to various agreements for sale and purchase for a total consideration of RMB43,114,408. The total consideration aforesaid in respect of this portion of the property is reflected and included in our valuation shown above.

(3) According to Business Licence No. 310000400317858 dated 19 June 2012, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) has been established as a limited company with a registered capital of RMB548,100,000 and an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention centre.

(4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Shanghai Certificates of Real Estate Ownership of the property are legal, valid and enforceable under the PRC laws. There is a procedural defect in the process of obtaining the land use right, but 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) (SGLD) has entered the Grant Contract of State-owned Land Use Rights, paid all land premium, obtained the valid Certificate of Real Estate Ownership, and acquired a written confirmation of Urban Planning Administrative Bureau of Baoshan District that the related government department will not revoke the land use right or give SGLD administrative punishments due to the procedural defect. So there is low probability that SGLD's land use right to be revoked due to the procedural defect;

(ii) SGLD is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property except for the part of renovation works;

(iii) SGLD has the right to freely occupy and use the land use rights and building ownership of the property. The property has been mortgaged and its registration has been finished; and

(iv) All land premium stated in the Grant Contract of Stated-owned Land Use Rights have been duly paid and settled.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
8.	Unsold portion of Chengdu Albany Oasis Garden Project, Sanguan Village, Hongguang Town, Pi County, Chengdu, Sichuan Province, the PRC 中國四川省成都市郫縣紅光鎮三觀村，成都綠洲雅賓利花園項目未售部份	Hongguang Town is a comprehensive development comprising shops, one club and residence land parcels planned for residential developments. The property comprises the unsold portion of a development known as Albany Oasis Garden Project which is erected on a parcel of land with a total site area of approximately 9,034.21 sq m. Portion of the development is completed in 2015 and has the unsold portion with a total gross floor area of approximately 9,034.21 sq m. The property is held with land use rights for a term due to expire on 28 December 2050 for commercial use and for a term due to expire on 28 December 2080 for residential use, respectively.	As at the date of valuation, the unsold portion of the property was vacant.	RMB66,000,000 (100% interest attributable to the Target Assets: RMB66,000,000)

Notes:–

(1) According to Grant Contract of State-owned Land Use Rights No. 5101082010-96 entered into between 四川省成都市郫縣國土資源局 (State-owned Land Resources Bureau of Pi County) (the "Grantor") and 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) (the "Grantee") on 12 December 2010, the Grantor has granted the land use rights of a parcel of land to the Grantee with details as follows:–

(i)	Location	:	Hungkuan Town, Pi County
(ii)	Site area	:	90,981.84 sq m
(iii)	Use	:	residential use and public services use
(iv)	Consideration	:	RMB423,063,200
(v)	Land use term	:	40 years for commercial use, 70 years for residential use

(2) According to one State-owned Land Use Right Certificates No. (2011) 72 issued by Pi County Peoples' Government on 28-Dec-10, the land use rights of the property having a total site area of approximately 90,981.84 sq m have been vested in 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.). The rights of land use will expire on the date of 28 December 2050 and the date of 28 December 2080, for public services, commercial and residential use respectively.

(3) According to seven Building Ownership Certificates all issued by Chengdu Real Estate Administrative Bureau on 12 June 2014, 04 May 2015 and 12 June 2015, the building ownership of the property with a total gross floor area of approximately 86,684.1 sq m has been vested in 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) for commercial, residential and club use with details as follows:

Certificate No.	Address	Issue Date	GFA *(sq m)*
0391396	No. 555 Ganghua Road	17-Jun-2014	2,515.27
0453778	No. 555 Ganghua Road	12-Jun-2015	11,592.68
0390687	No. 555 Ganghua Road	12-Jun-2014	16,653.49
0390686	No. 555 Ganghua Road	12-Jun-2014	16,662.10
0446416	No. 555 Ganghua Road	04-May-2015	16,889.84
0453781	No. 555 Ganghua Road	12-Jun-2015	5,717.21
0390688	No. 555 Ganghua Road	12-Jun-2014	16,653.51
		Total:	86,684.1

As advised by the owner of the property, the tittle of the property, comprising the unsold portion of a total gross floor area of 9,034.21 sq m, is included in the above certificates.

(4) According to Business Licence No. 510124000040121 dated 27 May 2015, 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) has been established as a limited company with a registered capital of RMB20,000,000 and an operating period from 20-Dec-10 to perpetual. The scope of business comprises real estate development, Goods and technology import and export, estate management.

(5) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates of the property are legal, valid and protected under the PRC laws and 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) can lawfully enjoy the land use rights under such certificate;

(ii) 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property;

(iii) 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) has the right to occupy and use the land use rights of the proeprty during the term of such rights in accordance with the PRC laws. The property has been mortgaged and its registration has been finished; and

(iv) all land premium stated in the Grant Contract of Stated-owned Land Use Rights have been paid and settled.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Grant Contract of State-owned Land Use Rights	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the Target Assets under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
9.	Under construction development of portion of Phase 1 and Phase 2 of Silicon Valley Centre, No. 8189 Lane 8 Meilanhu Road, Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖路8弄8189號等矽谷一期部分和二期在建項目	Luodian New Town is a comprehensive development comprising retail shops, convention centre/hotel complex, golf course, clubhouse, hotel and various land parcels planned for residential developments. The property is planned to build various villas with land use rights of commercial use in Luodian New Town. The property is scheduled to be completed in 2018. According to the information provided by the owner of property, the breakdown of planned gross floor area of the property are approximately 96,661.06 sq m. The property is held with land use rights for a term of due to expire on 17 July 2043 for commercial use.	As at the date of valuation, the property was under development.	RMB600,000,000 (72.63% interest attributable to the Target Assets: RMB435,800,000)

Notes:–

(1) According to Shanghai Certificate of Real Estate Ownership No. (2013) 027600 dated 23 May 2013, the salient details as stipulated in the certificate are, inter alia, summarized as follows:–

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.)
Location	:	No. 8189, Lanes 8, Meilanhu Road, Luonan Town, Baoshan Distirct
Land use	:	Commercial use
Lot no.	:	Qiu 88/8, Jiefang 5, Luonan Town, Baoshan District
Land use term	:	From 18 July 2003 to 17 July 2043 (40 years)
Site area	:	336,491 sq m
Year of completion	:	2012
Gross floor area	:	37,090.53 sq m

As advised by the owner of the property, the title of the land use rights of the property, comprising a total site area of approximately 116,150 sq m, is included in the above certificate.

As advised by the Company, pursuant to the de-merger agreement of Shanghai Golden Luodian Development Co., Ltd., the property will be transferred to the newly established Shanghai Lake Malaren Real Estate Development Co., Ltd. The acquisition of property by the Company will be implemented through the transfer to it the relevant equity interests of the company owning (or will be owning) the property and completing procedures for the change of the name of the company as owner of the property in the relevant local government department.

(2) According to Planning Permit for Construction Use of Land No. (2002) 0275 issued by Urban Planning Administrative Bureau of Baoshan District on 14 April 2003, the construction project of 羅店新鎮高爾夫俱樂部、練習場 (Golf Club and Driving Range of Luodian New Town) on the land parcel situated on the west side of Panjing Road, with a site area of 340,000 sq m is in compliance with the urban planning requirements.

(3) According to two Planning Permits for Construction Works issued by Shanghai Municipality Bureau of Planning and Land Administration of Baoshan District, the construction works of the property with a total planned gross floor area of 96,661.06 sq m are in compliance with the construction works requirements and have been approved with details as follows:–

Certificate Nos.	**Date of issue**	**Project name**	**Construction scale** *(sq m)*
(2011) FA31011320111003	7-Jun-2011	Phase I of Lake Malaren Silicon Valley Centre	106,223.60
(2014) FA31011320145007	29-Jul-2014	Phase II of Lake Malaren Silicon Valley Centre	60,785.74
Total			167,009.34

(4) According to 2 Commencement Permits for Construction Works issued by Shanghai Municipality Construction Administration Office, the construction works of the property with a gross floor area of 96,661.06 sq m are in compliance with the requirements for works commencement and have been permitted with details as follows:–

Certificate Nos.	**Date of issue**	**Project name**	**Construction scale** *(sq m)*
1001BS0100D01 310113201012210301	17-Mar-2011	Phase I of Lake Malaren Silicon Valley Centre	106,223.60
1001BS01001D02 310113201012210301	7-Aug-2014	Phase II of Lake Malaren Silicon Valley Centre	60,785.74
Total			167,009.34

(5) As advised by the Company, the total expended construction cost for the property as at the date of valuation was RMB3,420,000 whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB663,541,000. We have taken into account such amounts in our valuation.

(6) The market value when completed of the proposed development as at the date of valuation was in the sum of RMB1,855,000,000.

(7) According to Business Licence No. 310000400317858 dated 19 June 2012, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) has been established as a limited company with a registered capital of RMB548,100,000 and an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention centre.

(8) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Shanghai Certificates of Real Estate Ownership of the property are legal, valid and enforceable under the PRC laws. There is a procedural defect in the process of obtaining the land use right, but 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) (SGLD) has entered the Grant Contract of State-owned Land Use Rights, paid all land premium, obtained the valid Certificate of Real Estate Ownership, and acquired a written confirmation of Urban Planning Administrative Bureau of Baoshan District that the related government department will not revoke the land use right or give SGLD administrative punishments due to the procedural defect. So there is low probability that SGLD's land use right to be revoked due to the procedural defect;

(ii) SGLD is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property except for the part of renovation works;

(iii) SGLD has the right to freely occupy and use the land use rights and building ownership of the property. The property has been mortgaged and its registration has been finished; and

(iv) All land premium stated in the Grant Contract of Stated-owned Land Use Rights have been duly paid and settled.

(9) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Shanghai Certificates of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Commencement Permits for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
10.	The under construction development known as Part 1 of Phase 2 of Chengdu Albany Oasis Garden Project, Sanguan Village, Hongguang Town, Pi County, Chengdu, Sichuan Province, the PRC 中國四川省成都市郫縣紅光鎮三觀村成都綠洲雅賓利花園二期一標段在建項目	The property comprises a commercial and residential development which is under construction and is developed on a parcel of land with site area of approximately 90,981.84 sq m. As advised by the owner of the property, the property is scheduled to be completed in 2016. Upon completion, the development will comprise the following gross floor areas:	As at the date of valuation, the property was under construction.	RMB328,000,000 (100% interest attributable to the Target Assets: RMB328,000,000)

Use	Approximate Gross Floor Area *(sq m)*
High-rise residential apartments	54,028.84
Retail	2,096.03
Basement car parking spaces	38,832.41
Facilities	5,623.81
Total:	100,581.09

The property is held with land use rights for a term due to expire on 28 December 2050 for commercial use and for a term due to expire on 28 December 2080 for residential use,

Notes:–

(1) According to Grant Contract of State-owned Land Use Rights No. 5101082010-96 entered into between 四川省成都市郫縣國土資源局 (State-owned Land Resources Bureau of Pi County) (the "Grantor") and 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.)) (the "Grantee") on 22 December 2010, the Grantor has granted the land use rights of a parcel of land to the Grantee with details as follows:–

(i)	Location	:	Hongguang Town, Pi County
(ii)	Site area	:	90,981.84 sq m
(iii)	Use	:	residential use and public services use
(iv)	Consideration	:	RMB423,063,200

(v) Land use term : 40 years for commercial use, 70 years for residential use

(2) According to a State-owned Land Use Right Certificate No. (2011) 72 issued by Pi County Peoples' Government on 28-Dec-10, the land use rights of the property having a total site area of approximately 86,080.72 sq m have been vested in 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.). The rights of land use will expire on the date of 28 December 2050 and the date of 28 December 2080, for public services, commercial and residential use respectively.

According to one State-owned Land Use Right Certificates No. (2011) 71 issued by Pi County Peoples' Government on 06-May-2011, the land use rights of the property having a total site area of approximately 4,901.12 sq m have been vested in 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.), which will expire on the date of 28-December-2060 for public services use.

(3) According to a Planning Permit of Construction Use of Land No. 5101242011200004 issued by 郫縣規劃管理局 (Planning Bureau of Pi County) on 12 January 2011, the construction site of the property for residential use and public services use with a site area of 90,981.84 sq m is in compliance with the urban planning requirements.

(4) According to a Planning Permit for Construction Works issued by 郫縣規劃管理局 (Planning Bureau of Pi County), the construction works of the property with a total planned gross floor area of 100,689.43 sq m are in compliance with the construction works requirements and have been approved with details as follows:–

Certificate No.	**Date of Issue**	**Gross Floor Area** *(sq m)*
510124201430023	28-May-14	100,689.43
Total		100,689.43

(5) According to 3 Commencement Permits for Construction Works issued by 郫縣房管局 (Housing Bureau of Pi County), the construction works of the property with a gross floor area of 100,689.43 sq m are in compliance with the requirements for works commencement and have been permitted with details as follows:–

Certificate No.	**Date of Issue**	**Gross Floor Area** *(sq m)*
51012420147110201	11-Jul-14	11,778.66
51012420147110201-2	17-Oct-14	20,589.34
510124201412150401-2	15-Dec-14	68,321.43
Total		100,689.43

(6) According to four Permits of Commodity Housing Pre-sale Paper issued by 郫縣土地和房屋管理局 (Land and House Management Bureau of Pi County), the property with a total gross floor area of 47,665.80 sq m has been approved by authorities, and the pre-sale information with details as follows:

Certificate Nos.	**Date of issue**	**Pre-sale block**	**Permitted pre-sale gross floor area** *(sq m)*
1286	17-Apr-15	Block No. 14	16,988.02
1351	11-Dec-15	Block No. 13	652.07
1225	18-Jul-14	Block No. 13	9,665.75
1342	29-Oct-15	Block No. 10	20,359.96
Total			47,665.80

(7) As advised by the owner of the property, a portion of the property with gross floor area of approximately 27,503.18 sq m are subject to various agreements for sale and purchase for a total consideration of RMB149,273,000. The total consideration aforesaid in respect of this portion of the property is reflected and included in our valuation.

(8) As advised by the owner of the property, the total expended construction cost for the property as at the date of valuation was RMB152,523,000 whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB40,142,000. We have taken into account such amounts in our valuation.

(9) The market value when completed of the proposed development as at the date of valuation was in the sum of RMB429,000,000.

(10) According to Business Licence No. 510124000040121 dated 2 May 2012, 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) has been established as a limited company on 20 December 2010 with a registered capital of RMB20,000,000 and operation period from 20 December 2010.

(11) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) has been authorised such land use rights under the State-owned Land Use Rights Certificates of the property, which are legal, valid and protected under the PRC laws;

(ii) 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of the property;

(iii) 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) has rights on land to use and occupy during the terms of such rights in accordance with the PRC laws. The property has been mortgaged and its registration has been finished; and

(iv) all land premium stated in the Grant Contract of Stated-owned Land Use Rights have been duly paid and settled.

(12) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

State-owned Land Use Rights Certificates	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Permits of Commodity Housing Pre-sale Paper	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Assets for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
11.	Development site for the proposed development known as Part 2 of Phase 2 of Chengdu Albany Oasis Garden Project, Sanguan Village, Hongguang Town, Pi County, Chengdu, Sichuan Province, the PRC 中國四川省成都市郫縣紅光鎮三觀村成都綠洲雅賓利花園二期二標段待建土地	The property is bare land for the proposed development known as Part II of Phase II of Chengdu Albany Oasis Garden Project, Sanguan Village, Hongguang Town, Pi County, Chengdu, Sichuan Province, the PRC. Upon completion, the proposed development will be a residential development with retail and ancillary facilities. The details of the planned gross floor area of the property are as follows:	As at the date of valuation, the property was vacant land.	RMB261,200,000 (100% interest attributable to the Target Assets: RMB261,200,000)

Use	Approximate gross floor area *(sq m)*
Residential	71,203.04
commercial	879.72
Total	72,082.76

As advised by the Target Assets, the development is scheduled to be completed in around 2018.

The property is held with land use rights for a term of 70 years for residential use, 40 years for commercial.

Notes:–

(1) According to Grant Contract of State-owned Land Use Rights No. 5101082010-96 entered into between 四川省成都市郫縣國土資源局 (State-owned Land Resources Bureau of Pi County) (the "Grantor") and 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) (the "Grantee") on 12 December 2010, the Grantor has granted the land use rights of a parcel of land to the Grantee with details as follows:–

(i)	Location	:	Hungkuan Town, Pi County
(ii)	Site area	:	90,981.84 sq m
(iii)	Use	:	residential use and public services use
(iv)	Consideration	:	RMB423,063,200
(v)	Land use term	:	40 years for commercial use, 70 years for residential use

(2) According to one State-owned Land Use Right Certificates No. (2011) 72 issued by Pi County Peoples' Government on 28-Dec-10, the land use rights of the property having a total site area of approximately 90,981.84 sq m have been vested in 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.). The rights of land use will expire on the date of 28 December 2050 and the date of 28 December 2080, for public services, commercial and residential use respectively.

(3) According to Planning Permit of Construction Use of Land No. 5101242011200004 issued by 郫縣規劃管理局 (Planning Bureau of Pi County) on 12 January 2011, the construction site of the property for residential use and public services use with a site area of 90,981.84 sq m is in compliance with the urban planning requirements.

(4) According to a Planning Permit for Construction Works issued by 郫縣規劃管理局 (Planning Bureau of Pi County), the construction works of the property with a total planned gross floor area of 74,987.86 sq m are in compliance with the construction works requirements and have been approved with details as follows:–

Certificate No.	**Date of Issue**	**Gross Floor Area** *(sq m)*
510124201430022	28-May-14	74,987.86
Total		74,987.86

(5) According to a Commencement Permit for Construction Works issued by 郫縣房管局 (Housing Bureau of Pi County), the construction works of the property with a gross floor area of 74,987.86 sq m are in compliance with the requirements for works commencement and have been permitted with details as follows:–

Certificate No.	**Date of Issue**	**Gross Floor Area** *(sq m)*
510124201412150401-1	15-Dec-14	74,987.86
Total		74,987.86

(6) As advised by the Company, the total expended construction cost for the property as at the date of valuation was nil whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB104,000,000. We have taken into account such amounts in our valuation.

(7) The market value when completed of the proposed development as at the date of valuation was in the sum of RMB445,000,000.

(8) According to Business Licence No. 510124000040121 dated 27-May-15, 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) has been established as a limited company with a registered capital of RMB20,000,000 and an operating period from 20-Dec-10 to permanent. The scope of business comprises real estate development, goods and technology import and export, estate management.

(9) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;

(ii) 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 成都上置置業有限公司 (Chengdu Shanghai Real Estate Co. Ltd.) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Company has to discharge the mortgage or obtain the mortgagee's consent in advance; and

(iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and settled.

(10) The status of the title and grant of major approvals and licences in accordance with the information provided to us by thse Company are as follows:

State-owned Land Use Rights Certificates	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Leased property held by the Target Assets in the PRC

	Property	Description and particulars of tenancy	Market value in existing state as at 31 March 2016
12.	Golf course in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮高爾夫球場	The property comprises an existing 36-hole international golf course occupying a site area of approximately 1,146,081 sq m (1,719 mu), in Luodian New Town, Baoshan District, Shanghai. The 36-hole international golf course comprises two 18-hole golf courses named as the South Lake Course and the North Forest Course. The 18-hole South Lake Course commenced operation in August 2004 and measures 7,248 yards in length and is par 72. The 18-hole North Forest Course commenced operation in September 2005 and measures 7,266 yards in length and is par 72. The property is currently under the operation of and managed by 上海美蘭湖高爾夫俱樂部有限公司 (Shanghai Lake Malaren Golf Club Co. Ltd.). The property is leased from Luodian Town Government to 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) ("SGLD") for a term of 40 years from 23 October 2003. During the lease term, SGLD is exempt from payment of rent but should bear the charge of maintenance of the course, and should pay the business tax related to the operation of the golf course to Luodian New Town finance. According to the PRC legal opinion, the lease agreement is binding upon the lessor and lessee. Upon the inquiry of SGLD, Luodian New Town Government, as the lessor of golf course, failed to provide the land use rights documents of the golf course. If SGLD could not use the golf course according to the lease agreement due to the land use righs disputes of the golf course, SGLD is entitled to claim the compensation in accordance with the lease agreement.	No commercial value

Notes:–

(1) We have not been provided with all legal documents (such as the building ownership certificates or real estate title certificates) in relation to the title of the aforesaid buildings and structures of the property.

According to the specific instructions of your the Company, we have conducted our valuation based on the special assumptions that the buildings and structures erected are authorized and in compliance with the relevant planning and construction requirements and any pre-requisite approvals would have been obtained from the relevant government authorities.

As confirmed by the SGLD, the membership sale is sold out. In the course of our valuation, we have valued it as a fully operational entity on an entire interest basis having regard to the future trading potential and level of turnover likely to be achieved. Based on the above special assumptions, we are of the opinion that the Market Value of the property, as a fully operational entity of golf club as at the date of valuation and the property is not subject to alienation restriction and can be freely transferred in the market without payment of any land premium, was in the sum of RMB150,000,000.

As advised by the Company, pursuant to the de-merger agreement of Shanghai Golden Luodian Development Co., Ltd., the acquisition of leasing rights of the property by the Company will be implemented through signing a new lease agreement with the Government of Luodian Town, Baoshan District, Shanghai, which leased the property to Shanghai Golden Luodian Development Co., Ltd., to Shanghai Lake Malaren Real Estate Development Co., Ltd.

A. 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 Group. 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.

B. DISCLOSURE OF INTERESTS

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 Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Long position in Shares

Name of Director	Personal interests	Family interests	Total	Approximate percentage of shareholding
Zhuo Fumin	–	160,000 (*Note 1*)	160,000	0.0008%

Note:

(1) These 160,000 Shares were held by Madam He Pei Pei, the spouse of Mr. Zhuo Fumin.

Save as disclosed in this paragraph B of this appendix, as at the Latest Practicable Date, none of the Directors and chief executives 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 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 Issuers, to be notified to the Company and the Stock Exchange.

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 Division 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 position in Shares

Name of Shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of shareholding
China Minsheng Investment Corp., Ltd.	Interest in controlled corporation	12,500,000,000 (*Note 1 & 2*)	60.78%
China Minsheng Jiaye Investment Co., Ltd.	Interest in controlled corporation	12,500,000,000 (*Note 1 & 2*)	60.78%
Jiaxin Investment (Shanghai) Co., Ltd.	Interest in controlled corporation	12,500,000,000 (*Note 1 & 2*)	60.78%
Jiasheng (Holding) Investment Limited	Interest in controlled corporation	12,500,000,000 (*Note 1 & 2*)	60.78%
Jiashun (Holding) Investment Limited	Beneficial owner	12,500,000,000 (*Note 1 & 2*)	60.78%
Shi Jian	Beneficial owner, spouse and corporate interest	2,902,668,443 (*Note 3 & 4*)	14.11%
Si Xiao Dong	Beneficial owner, spouse and corporate interest	2,902,668,443 (*Note 3 & 4*)	14.11%
SREI	Beneficial owner	2,889,659,128 (*Note 3 & 4*)	14.05%

Notes:

(1) China Minsheng Investment Corp., Ltd. holds a 100% direct interest in China Minsheng Jiaye Investment Co., Ltd., which holds a 100% direct interest in Jiaxin Investment (Shanghai) Co., Ltd., which in turn holds a 100% interest in Jiasheng (Holding) Investment Limited. Jiashun (Holding) Investment Limited is a wholly-owned subsidiary of Jiansheng (Holding) Investment Limited. Therefore, China Minsheng Investment Corp., Ltd., China Minsheng Jiaye Investment Co., Ltd., Jiaxin Investment (Shanghai) Co., Ltd. and Jiasheng (Holding) Investment Limited are all deemed to be interested in all the Shares held by Jiashun (Holding) Investment Limited for the purpose of SFO.

(2) 12,500,000,000 Shares held by Jiashun (Holding) Investment Limited (in which China Minsheng Investment Corp., Ltd., China Minsheng Jiaye Investment Co., Ltd., Jiaxin Investment (Shanghai) Co., Ltd. and Jiasheng (Holding) Investment Limited are deemed to be interested) are charged to a bank in the PRC.

(3) These Shares comprise 13,006,991 Shares held by Mr. Shi Jian, 2,324 Shares held by his spouse, Madam Si Xiao Dong and 2,889,659,128 Shares held by SREI. As each of Mr. Shi Jian and Madam Si Xiao Dong owns more than 30% of SREI, they are deemed to be interested in all the Shares held by SREI for the purpose of SFO.

(4) 2,889,659,128 Shares held by SRE Investment Holding Limited (in which Mr. Shi Jian and Madam Si Xiao Dong are deemed to be interested) are charged to Jiahua Investment Limited. Madam Jiang Chuming holds a 100% direct interest in Jiahua Investment Limited.

3. Directors' positions in the substantial Shareholders

As at the Latest Practicable Date, China Minsheng Jiaye Investment Co., Ltd. was a company with interests which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, (i) Mr. Chen Chao, an executive Director, was the Chief Risk Management Officer of China Minsheng Jiaye Investment Co., Ltd.; (ii) Mr. Zhu Qiang, an executive Director, was the Chief Investment Officer of China Minsheng Jiaye Investment Co., Ltd.; and (iii) Mr. Chen Donghui, an executive Director, was the General Manager of China Minsheng Jiaye Investment Co., Ltd., a director of each of Jiaxin Investment (Shanghai) Co., Ltd., Jiasheng (Holding) Investment Limited and Jiashun (Holding) Investment Limited and the legal representative of Jiaxin Investment (Shanghai) Co., Ltd..

Save as disclosed above, as at the Latest Practicable Date, 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.

C. DIRECTORS' SERVICE CONTRACTS

Save for:

(1) a service contract dated 6 June 2016 and entered into between the Company and Ms. Qin Wenying in relation to the appointment of Ms. Qin Wenying as an executive Director for a term of 3 years commencing on 6 June 2016 for an

annual remuneration of HK$1,460,000 and the Company may serve a six-month advance notice in writing to terminate the said contract without payment of compensation other than statutory compensation;

(2) a service contract dated 6 June 2016 and entered into between the Company and Mr. Chen Donghui in relation to the appointment of Mr. Chen Donghui as an executive Director for a term of 3 years commencing on 6 June 2016 for an annual remuneration of HK60,000 and the Company may serve a six-month advance notice in writing to terminate the said contract without payment of compensation other than statutory compensation;

(3) a service contract dated 31 March 2016 and entered into between the Company and Mr. Ma Lishan in relation to the appointment of Mr. Ma Lishan as an independent non-executive Director for a term of 2 years commencing on 31 March 2016 for an annual remuneration of HK$300,000 and the Company may serve an one-month advance notice in writing to terminate the said service contract without payment of compensation other than statutory compensation;

(4) a service contract dated 4 December 2015 and entered into between the Company and Mr. He Binwu in relation to the appointment of Mr. He Binwu as an executive Director for a term of 3 years commencing on 4 December 2015 for an annual remuneration of HK$2,800,000 and the Company may serve a six-month advance notice in writing to terminate the said service contract without payment of compensation other than statutory compensation;

(5) a service contract dated 4 December 2015 and entered into between the Company and Mr. Peng Xinkuang in relation to the appointment of Mr. Peng Xinkuang as an executive Director for a term of 3 years commencing on 4 December 2015 for an annual remuneration of HK$2,680,000 and the Company may serve a six-month advance notice in writing to terminate the said service contract without payment of compensation other than statutory compensation;

(6) a service contract dated 4 December 2015 and entered into between the Company and Mr. Chen Chao in relation to the appointment of Mr. Chen Chao as an executive Director for a term of 3 years commencing on 4 December 2015 for an annual remuneration of HK$60,000 and the Company may serve a six-month advance notice in writing to terminate the said service contract without payment of compensation other than statutory compensation;

(7) a service contract dated 4 December 2015 and entered into between the Company and Mr. Zhu Qiang in relation to the appointment of Mr. Zhu Qiang as an executive Director for a term of 3 years commencing on 4 December 2015 for an annual remuneration of HK$60,000 and the Company may serve a six-month advance notice in writing to terminate the said service contract without payment of compensation other than statutory compensation;

(8) a service contract dated 17 July 2015 and entered into between the Company and Mr. Shi Janson Bing in relation to the appointment of Mr. Shi Janson Bing as an executive Director for a term of 2 years commencing on 17 July 2015 for an annual remuneration of HK$1,600,000 and the Company may serve a six-month advance notice in writing to terminate the said contract without payment of compensation other than statutory compensation;

(9) a service contract dated 13 October 2014 and entered into between the Company and Mr. Guoping in relation to the appointment of Mr. Guoping as an independent non-executive Director for a term of 2 years commencing on 13 October 2014 for an annual remuneration of HK$330,000 and the Company may serve an one-month advance notice in writing to terminate the said contract without payment of compensation other than statutory compensation;

(10) a service contract dated 1 July 2014 and entered into between the Company and Mr. Zhuo Fu Min in relation to the appointment of Mr. Zhuo Fu Min as an independent non-executive Director for a term of 2 years commencing on 1 July 2014 for an annual remuneration of HK$360,000 and the Company may serve an one-month advance notice in writing to terminate the said contract without payment of compensation other than statutory compensation; and

(11) a service contract dated 16 June 2014 and entered into between the Company and Mr. Chan Charles Sheung Wai in relation to the appointment of Mr. Chan Charles Sheung Wai as an independent non-executive Director for a term of 2 years commencing on 1 July 2014 for an annual remuneration of HK$330,000 and the Company may serve an one-month advance notice in writing to terminate the said contract without payment of compensation other than statutory compensation.

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 determinable by the employer within one year without payment of compensation other than statutory compensation.

D. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Enlarged Group which was significant in relation to the business of the Enlarged Group.

E. 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.

F. EXPERT'S CONSENT AND QUALIFICATIONS

Each of Chanceton Capital Partners Limited, Amasse Capital Limited, Ernst & Young and DTZ has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) and/or report(s) and/or valuation certificate(s) and/or opinion(s) and the references to their names included herein in the form and context in which it is respectively included.

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

Name	Qualifications
Chanceton Capital Partners Limited	a licensed corporation to carry out type 6 (advising in corporate finance) regulated activity under the SFO
Amasse Capital Limited	a licensed corporation to carry out type 6 (advising in corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
DTZ	independent property valuer

Each of the experts named above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

G. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

H. 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.

I. 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:

(1) a property mortgage contract dated 27 May 2014 executed by Shenyang Huarui Shiji Asset Management Ltd. (a wholly-owned subsidiary of the Company) as charger pledging a property in favour of a bank to secure the repayment obligations of six companies, namely Shanghai Qifang Enterprises Co., Ltd., Shanghai Qinli Investment (Group) Co., Ltd., Shanghai Yaoji Investment Management Co., Ltd., Shanghai Lake Malaren Investment Management Co., Ltd., Shanghai Yuanyi Enterprises Co., Ltd. and Shanghai Golden Luodian International Travel Agency Co., Ltd., under the loan agreements between the six companies (as borrowers) and the bank (as lender) with a total loan amount of RMB175,000,000, further details of which are contained in the Company's announcement dated 11 May 2016;

(2) 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 at the relevant time) 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 a bank (as lender) dated 29 October 2009 with a loan amount of RMB600,000,000, further details of which are contained in the Company's announcement dated 24 September 2015;

(3) 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 at the relevant time) as guarantors to secure the repayment obligations of Shanghai Lake Malaren Hospital Investment Co., Ltd. under the loan agreement between Shanghai Lake Malaren Hospital Investment Co., Ltd. (as borrower) and a bank (as lender) dated 12 June 2012 with a loan amount of RMB450,000,000, further details of which are contained in the Company's announcement dated 24 September 2015;

(4) 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 pledging a property owned by it in favour of a bank 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 the bank (as lender) dated 1 September 2014 with a loan amount of RMB30,000,000, further details of which are contained in the Company's announcement dated 24 September 2015;

(5) a letter of undertaking dated 16 October 2014 executed by the Company guaranteeing any financial liabilities of Shanghai Jinmei Construction and Decoration Co., Ltd. arising from its obligation to compensate the public investors on the website of 99 Win Financial Information Services (Shanghai) Co., Ltd. for any difference between expected and actual returns under a tripartite agreement entered into between Shanghai Jinmei Construction and Decoration Co., Ltd., 99 Win Financial Information Services (Shanghai) Co., Ltd. and the public investors, pursuant to which Shanghai Jinmei Construction and Decoration Co., Ltd. shall transfer to the public investors its rights to earnings of the underlying real estate project of the Group in an amount of up to RMB300 million, further details of which are contained in the Company announcement dated 11 May 2016;

(6) a guarantee provided by the Company in December 2014 in favour of Shanghai Beiban Hegu Investment Centre（上海北阪河谷投資中心）securing the obligation of Black Eagle (Shanghai) Investment Management Limited to pay up its subscribed capital contribution for Phase III of Beiban Hegu Urban Development Fund（北阪河谷城市發展基金）in an amount of RMB202,530,000, further details of which are contained in the Company's announcement dated 11 May 2016;

(7) a set of guarantees in various forms (including irrevocable joint liability guarantee, share charge, pledge of land and undertaking for compensation) provided by the Company and its subsidiaries, namely Shenyang Lvyi Hotel Management Ltd., Liaoning Gao Xiao Support Group Property Development Co., Ltd. and Konmen Investment Ltd., in favour of Zhongrong International Trust Co., Ltd. securing the obligation of Black Eagle (Shanghai) Investment Management Limited to repurchase Zhongrong International Trust Co., Ltd.'s share in Phase III of Beiban Hegu Urban Development Fund（北阪河谷城市發展基金）in an amount of RMB800,000,000 (plus the fees for maintaining the right of repurchase), further details of which are contained in the Company's announcement dated 11 May 2016;

(8) a guarantee contract dated 19 December 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 a bank (as lender) dated 19 December 2014 with a loan amount of RMB400,000,000, further details of which are contained in the Company's announcement dated 24 September 2015;

(9) a non-binding memorandum of understanding dated 5 June 2015 entered into between the Company, Poly Real Estate Group Co., Ltd. and SREI 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 of which are contained in the Company's announcement dated 9 June 2015;

(10) a termination agreement dated 14 August 2015 entered into between the Company, Poly Real Estate Group Co., Ltd. and SREI to terminate the non-binding memorandum of understanding dated 5 June 2015 by mutual consent, further details of which are contained in the Company's announcement dated 14 August 2015;

(11) a memorandum of understanding dated 12 September 2015 entered into between the Company, China Minsheng Jiaye Investment Co., Ltd. and SREI 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, further details of which are contained in the Company's announcement dated 15 September 2015;

(12) a subscription agreement dated 9 October 2015 entered into between the Company, six investors including China Minsheng Jiaye Investment Co., Ltd. and SREI pursuant to which the investors subscribed for 14,900,000,000 Shares issued by the Company for a total consideration of HK$1,490,000,000, further details of which are contained in the Company's announcement dated 12 October 2015;

(13) a sale and purchase agreement dated 30 October 2015 entered into between Sinopower Investment Limited (a wholly-owned subsidiary of the Company) as seller, Mainlandcn Ten Company Limited as purchaser and the Company as guarantor in relation to the disposal of 60% equity interest in Mayson Resources Limited and 60% of the shareholder's loan for a total consideration of RMB547,872,000, further details of which are contained in the Company's announcement dated 30 October 2015;

(14) an equity transfer agreement dated 18 March 2016 entered into between All Pride Investments Limited (an indirect subsidiary of the Company) as seller and Great Wall Guofu Real Estate Co., Ltd. as purchaser in relation to the disposal of 56% equity interest in Shanghai Skyway Hotel Co., Ltd. for a total consideration of RMB643,104,000, further details of which are contained in the Company's announcement dated 18 March 2016; and

(15) the Acquisition Master Agreement.

J. GENERAL

(a) The company secretary of the Company is Mr. Pang Ka Fai, a fellow member of the Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. As at the Latest Practicable Date, the Company's 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 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.

K. 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 19 June 2016 and at the new principal place of business of the Company in Hong Kong at Suites 1001-1004, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong from 20 June 2016 until the end of a period of 14 days from the date of this circular.

(a) the memorandum of association and bye-laws of the Company;

(b) the Acquisition Master Agreement;

(c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this circular;

(d) the letter from Amasse Capital Limited, the text of which is set out on pages 25 to 42 of this circular;

(e) the annual reports of the Company for each of the three years ended 31 December 2013, 2014 and 2015;

(f) the accountants' report on the Target Assets prepared by Ernst & Young, the text of which is set out in Appendix II to this circular;

(g) the report on the unaudited pro forma financial information of the Enlarged Group issued by Ernst & Young, the text of which is set out in Appendix III to this circular;

(h) the property valuation report from DTZ, the text of which is set out in Appendix V to this circular;

(i) a copy of each of the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(j) a copy of each of the service contracts referred to in the paragraph headed "Directors' Service Contracts" in this appendix;

(k) the consent letters referred to in the paragraph headed "Expert's Consent and Qualifications" in this appendix; and

(l) this circular.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of SRE Group Limited (the "**Company**") will be held at Suites 1001-1004, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 6 July 2016, at 3:00 p.m. for the purposes of considering and, if thought fit, passing each of the following resolutions as an ordinary resolution, with or without amendments. Capitalised terms contained in the circular dated 16 June 2016 issued by the Company shall have the same meanings when used herein unless otherwise specified.

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the agreement dated 20 April 2016 entered into between the Company, China New Town Development Company Limited and SREI Investment Holding Limited in respect of the acquisition of the Target Assets and the repayment of the Loan (the "**Acquisition Master Agreement**", a copy of which has been produced before the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) at the consideration of RMB1,315,198,723 in cash and all the transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified; and

   (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution."

2. "**THAT**, Ms. Qin Wenying be and is hereby re-elected as an executive Director of the Company with immediate effect upon passing the resolution."

3. "**THAT**, Mr. Chen Donghui be and is hereby re-elected as an executive Director of the Company with immediate effect upon passing the resolution."

By Order of the Board
SRE Group Limited
He Binwu
Chairman

Hong Kong, 16 June 2016

Notes:

1. A member of the Company entitled to attend and vote at the meeting or any adjourned meeting thereof convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and return of the proxy form shall not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), all votes of the shareholders of the Company must be taken by poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

5. Where there are joint registered holders of any shares of the Company, any one of such joint holders may vote either in person or by proxy in respect of such shares of the Company as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

As at the date hereof, the board of directors of the Company comprises seven executive directors, namely Mr. He Binwu, Mr. Peng Xinkuang, Mr. Shi Janson Bing, Mr. Chen Chao, Mr. Zhu Qiang, Ms. Qin Wenying and Mr. Chen Donghui; and four independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Guoping and Mr. Ma Lishan.