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SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

**MAJOR TRANSACTION
IN RELATION TO
THE DISPOSAL OF 49% EQUITY INTEREST IN
SHANGHAI JINXIN REAL ESTATE CO., LTD.**

THE DISPOSAL

The Board wishes to announce that on 29 December 2016, after trading hours, the Company and the Purchaser entered into the Cooperation Framework Agreement, pursuant to which the Company agreed to procure the Sellers to sell, and the Purchaser agreed to acquire a total of 49% equity interest in the Target Company at a total consideration of RMB2,305 million. Upon Completion of the Disposal, the Company will, through its subsidiaries, still hold 51% equity interest in the Target Company. As such, the parties agreed to cooperate in the Qinhai Oasis Garden Project being developed by the Target Company in terms of construction capital injection, housing requisition, demolition and relocation, as well as subsequent development, upon Completion of the Disposal.

LISTING RULES IMPLICATIONS

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

To the best of the Directors' knowledge and information, and having made all reasonable enquiries, no Shareholder has any material interest in the Disposal. As such, no Shareholder is required to abstain from voting if a general meeting of the Company were convened to approve the Disposal. The Company has obtained a written approval from Jiashun Holding in respect of the Disposal. Pursuant to Rule 14.44 of the Listing Rules, such written approval from Jiashun Holding can be accepted in lieu of holding a general meeting for the purpose of approving the Disposal. Jiashun Holding is the controlling shareholder of the Company, holding 12,500,000,000 Shares with voting rights (representing approximately 60.78% of the total issued shares with voting rights of the Company based on a total of 20,564,713,722 Shares in issue as at the date of this announcement).

GENERAL

A circular containing, amongst others, (i) further information on the Disposal and the Cooperation Framework Agreement; (ii) a property valuation report of the Qinhai Oasis Garden Project prepared by an independent valuer; and (iii) other information required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 20 January 2017.

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THE MAIN PROVISIONS OF THE COOPERATION FRAMEWORK AGREEMENT

Date

29 December 2016

Parties

- (1) the Company, as the Sellers' representative; and
- (2) Shanghai Zhongchong Binjiang Industrial Development Co., Ltd., as the Purchaser.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Interest to be Disposed of

The interest to be disposed of under the Cooperation Framework Agreement is the 49% equity interest in the Target Company.

Consideration and its Payment

The total consideration of the Disposal is RMB2,305 million, of which RMB2,110 million is the consideration for the 49% equity interest in the Target Company, and RMB195 million is to be used to repay part of the shareholder's loan advanced by the Company to the Target Company. The consideration was determined between the Company and the Purchaser after arm's length negotiations with reference to, amongst others, (i) the market value of the land for the Qinhai Oasis Garden Project; (ii) the preliminary valuation of the 100% equity interest in the Target Company prepared by an independent valuer; (iii) the total amount of the shareholder's loan advanced by the Company to the Target Company; and (iv) the reasons for and benefits of the Disposal stated in the section headed "Reasons for and Benefits of the Disposal" in this announcement. The total consideration of the Disposal represents the sum of 50% of the value of the Target Company as determined on the above basis and 50% of the shareholder's loan advanced by the Company to the Target Company.

The total consideration of the Disposal shall be paid by the Purchaser to the Company in a lump sum within 3 business days after the signing date of the Cooperation Framework Agreement. The Purchaser shall pay additional interest at 8% per annum (on the basis of a 360-day year) to the Company upon a delay in payment by the Purchaser.

Completion

Completion of the Disposal shall take place within 20 business days after the Company has obtained the approval from the Shareholders in respect of the Disposal and received the payment of the total consideration from the Purchaser.

Upon Completion of the Disposal, the Company will, through its subsidiaries, still hold 51% equity interest in the Target Company. However, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Company.

Subsequent Cooperation in the Qinhai Oasis Garden Project

The parties agreed to cooperate in the Qinhai Oasis Garden Project being developed by the Target Company in terms of construction capital injection, housing requisition, demolition and relocation, as well as subsequent development. Such cooperation mainly includes:

- (1) in respect of the capital required for the housing requisition, demolition and relocation, as well as the construction and development of the Qinhai Oasis Garden Project, the Company and/or the Target Company may seek loans from financial institutions, or the Company and the Purchaser may advance shareholders' loans to the Target Company according to a 50: 50 ratio.
- (2) the Company shall be responsible for coordinating the housing requisition and demolition in respect of the Qinhai Oasis Garden Project, while the Purchaser shall be responsible for coordinating the provision of relocation housing and providing assistance in the housing requisition and demolition.

- (3) the parties shall fully utilize their experiences and strengths in real estate construction and sales to develop the Qinhai Oasis Garden Project, which shall be jointly managed by the parties using the brands of both parties.
- (4) the Target Company shall have a board of directors made up of seven members, of which four shall be appointed by the Company, and three shall be appointed by the Purchaser. A director appointed by the Company shall act as the chairman, while a director appointed by the Purchaser shall act as the vice chairman. The parties agreed that the board of directors shall seek the Purchaser's views in deciding on material issues and shall obtain the consent of at least one director appointed by the Purchaser.
- (5) the general manager of the Target Company in the stage of the housing requisition and demolition and in the stage of the construction and development of the Qinhai Oasis Garden Project shall be appointed by the Company and the Purchaser, respectively. In addition, the chief financial officer and the deputy chief financial officer of the Target Company shall be appointed by the Company and the Purchaser, respectively.
- (6) the Target Company shall allocate investment gains between the parties according to a 50:50 ratio.

INFORMATION ON THE GROUP, THE SELLERS AND THE PURCHASER

The Group is an integrated real estate developer focusing on high-quality development projects and urban 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. The Group will also expand its investment businesses, accelerate the investment-withdrawal and gain-capturing process by adopting the "financing, investment, management and withdrawal" approach, and operate in a "light and heavy assets in parallel" model. The Group is also putting the strategy of internationalization into practice by seeking high-quality assets overseas, and will prudently attempt limited diversification, including the cultivation of real estate-related internet, funds and finance businesses, striving to become a fully integrated trans-sector real estate and finance group.

The Sellers in the Disposal are Huarui Shiji, Huarui Business, Jiaxing Lake and Wuxi Zhongqing, all of which are subsidiaries of the Company. As at the date of this announcement, Huarui Shiji, Huarui Business, Jiaxing Lake and Wuxi Zhongqing hold 23%, 17%, 5% and 4% equity interest in the Target Company, respectively, and they are all principally engaged in the real estate development business.

The Purchaser is principally engaged in the real estate development and operation business.

INFORMATION ON THE TARGET COMPANY

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. The Target Company is principally engaged in the development of the Qinhai Oasis Garden Project, and its principal asset is the land for the Qinhai Oasis Garden Project located at nos. 717-719, Daxing Road, Huangpu District, Shanghai. The Qinhai Oasis Garden Project covers a site area of 37,129 square meters, and has an expected gross floor area of 130,504 square meters. It will be developed into luxurious apartments, office and community commercial properties, and its construction is expected to be completed in 2020.

According to the unaudited financial statements of the Target Company prepared under the Hong Kong Financial Reporting Standards, the unaudited net asset value of the Target Company was approximately RMB2,666 million as at 30 June 2016. The Target Company recorded an unaudited net loss before and after taxation of RMB1,802,454 for the year ended 31 December 2014, and an unaudited net loss before and after taxation of RMB752,670 for the year ended 31 December 2015.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is striving to become a fully-integrated trans-sector real estate and finance group. The Directors believe that disposing of a part of the equity interest in the Target Company may realise the value of the Target Company earlier, improve the resources of the Group and increase the return to the Shareholders. In the meanwhile, the Group may leverage on the advantages of the Purchaser in aspects of housing demolition and relocation, so as to ensure the smooth and timely completion of housing requisition of the Qinhai Oasis Garden Project.

Having considered the reasons for and benefits of the Disposal, the Directors are of the view that the terms of the Cooperation Framework Agreement, which were determined by the parties on an arm's length basis, are fair and reasonable, and the Disposal is conducted on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Company.

Subject to further audit procedures to be performed by the auditors of the Company, the Group is expected to record an unaudited gain from the Disposal of approximately RMB1,100 million, which is calculated with reference to the net proceeds from the Disposal and the unaudited net asset value of the Target Company attributable to the Group as at 30 June 2016. The proceeds to be received by the Company from the Disposal will be applied towards other real estate development projects of the Group.

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DEFINITIONS

“Board”	the board of Directors
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“Cooperation Framework Agreement”	the cooperation framework agreement dated 29 December 2016 entered into between the Company and the Purchaser in relation to the Disposal and the subsequent cooperation in the Qinhai Oasis Garden Project
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of a total of 49% equity interest in the Target Company by the Sellers to the Purchaser pursuant to the Cooperation Framework Agreement
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huarui Business”	瀋陽華銳商業管理發展有限公司 (Shenyang Huarui Business Management Development Co., Ltd.*), a limited liability company incorporated in the PRC and a subsidiary of the Company
“Huarui Shiji”	瀋陽華銳世紀資產管理有限公司 (Shenyang Huarui Shiji Asset Management Co., Ltd.*), a limited liability company incorporated in the PRC and a subsidiary of the Company
“Jiashun Holding”	嘉順(控股)投資有限公司 (Jiashun (Holding) Investment Limited), a company incorporated in Hong Kong and the controlling shareholder of the Company
“Jiaxing Lake”	嘉興湖畔華府置業有限公司 (Jiaxing Lake Richgate Real Estate Co., Ltd.*), a limited liability company incorporated in the PRC and a subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan region
“Purchaser”	上海中崇濱江實業發展有限公司 (Shanghai Zhongchong Binjiang Industrial Development Co., Ltd.*), a limited liability company incorporated in the PRC
“Qinhai Oasis Garden Project”	the real estate development project located at nos. 717-719 Daxing Road, Huangpu District, Shanghai
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	Huarui Shiji, Huarui Business, Jiaxing Lake and Wuxi Zhongqing
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	上海金心置業有限公司 (Shanghai Jinxin Real Estate Co., Ltd.*), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“Wuxi Zhongqing”

無錫仲慶房地產開發有限公司 (Wuxi Zhongqing Real Estate Co., Ltd.*), a limited liability company incorporated in the PRC and a subsidiary of the Company

By Order of the Board
SRE Group Limited
He Binwu
Chairman

Hong Kong, 29 December 2016

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

* For identification purpose only