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SRE GROUP LIMITED
上置集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

DISCLOSEABLE TRANSACTION
FORMATION OF JOINT VENTURE

THE JV AGREEMENT

On 29 December 2016, the CMBC-designated General Partner, the SRE General Partner, the Superior Limited Partner and the Inferior Limited Partners entered into the JV Agreement in relation to, among other things, the formation of the Joint Venture with the total capital commitment of RMB5,116,000,002, of which RMB4,119,000,000 (being approximately 81% of the total capital commitment) shall be contributed by the Superior Limited Partner and an aggregate of RMB997,000,000 (being approximately 19% of the total capital commitment) shall be contributed by the Inferior Limited Partners.

Pursuant to the JV Agreement, the purpose of the Joint Venture is to acquire from CMBC the Right of Return in respect of the Property Projects.

LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the formation of the Joint Venture exceed 5% but are less than 25%, the entering into of the JV Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 29 December 2016, the CMBC-designated General Partner, the SRE General Partner, the Superior Limited Partner and the Inferior Limited Partners entered into the JV Agreement in relation to, among other things, the formation of the Joint Venture, which is to be set

up for the purpose of acquiring the Right of Return in respect of the Property Projects from CMBC and will be responsible for the development, operation, management and disposal of the Property Projects.

THE JV AGREEMENT

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

Date

29 December 2016 (after trading hours)

Parties

- (1) CMBC-designated General Partner, as a general partner of the Joint Venture;
- (2) SRE General Partner (an indirectly wholly-owned subsidiary of the Company), as a general partner of the Joint Venture;
- (3) Superior Limited Partner, as a limited partner of the Joint Venture;
- (4) Shanghai Oasis (a subsidiary of the Company), as a limited partner of the Joint Venture; and
- (5) Ningbo Investment Centre (a subsidiary of the Company), as a limited partner of the Joint Venture.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the CMBC-designated General Partner and the Superior Limited Partner and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Formation of the Joint Venture and Capital Contribution

Pursuant to the JV Agreement, the Superior Limited Partner, the Inferior Limited Partners and the General Partners shall set up the Joint Venture in the PRC with the total capital commitment of RMB5,116,000,002, of which RMB4,119,000,000 (being approximately 81% of the total capital commitment) shall be contributed by the Superior Limited Partner and an aggregate of RMB997,000,000 (being approximately 19% of the total capital commitment) shall be contributed by the Inferior Limited Partners. Capital contribution by the General Partners shall be in a nominal amount, being RMB1 for each of the General Partners. As the Inferior Limited Partners and the SRE General Partner together will only be interested in the Joint Venture as to approximately 19%, it is expected that the Joint Venture will not be consolidated in the financial statements of the Group.

The liability of each of the Superior Limited Partner and the Inferior Limited Partners in respect of the Joint Venture shall be limited to the amount of their respective capital commitment, whereas the General Partners shall have unlimited liability in respect of the Joint Venture.

According to the JV Agreement, the General Partners shall pay its capital contribution in full within 5 Business Days after the Joint Venture has been set up. The Superior Limited Partner and the Inferior Limited Partners shall pay their respective capital contribution in part or in full (as the case may be) within 7 Business Days after receiving written payment notice from the Executive Partner (defined below).

The aforesaid total capital commitment of the Joint Venture and the respective capital contribution amounts are determined after arm's length negotiation between the parties to the JV Agreement through a consultation process conducted by CMBC, with reference to the funding needs of the Joint Venture and the agreed share of each party in the interest in the Joint Venture.

Purpose of the Joint Venture and the Property Projects

Pursuant to the JV Agreement, the purpose of the Joint Venture is to acquire from CMBC the Right of Return in respect of the Property Projects, details of which are set out as follows:

(1) *Minsheng Garden Project (民生花園項目)*

Minsheng Garden Project, with a site area of approximately 82,529 square meters, is located in Mapozhen, Shunyi, Beijing (北京市順義區馬坡鎮) and comprises apartments, townhouses and a commercial building for sale, the construction of which has been completed.

(2) *Shunyi Fenglin Project (順義風林項目)*

Shunyi Fenglin Project, with a site area of approximately 61,226 square meters, is also located in Mapozhen, Shunyi, Beijing and comprises villas for sale, the construction of which has been completed.

(3) *Xiangzhang Garden Project (香樟花園項目)*

Xiangzhang Garden Project, with a site area of approximately 5,494 square meters, is located in the core business district at Nanjing West Road, Jing'an District, Shanghai (上海市靜安區南京西路) and is adjacent to Henglong Plaza (恒隆廣場). This project comprises commercial apartments, commercial buildings and car parking spaces with a total gross floor area of approximately 37,282 square meters. Civil and electrical engineering of this project has been nearly completed and decoration of the project is currently underway.

(4) *Shenzhen Project (深圳項目)*

Shenzhen Project occupies an excellent geographical location situated in Shekou Industrial Zone, Shenzhen (深圳市蛇口工業區) and is adjacent to Nanshan Park (南山公園). This project is expected to comprise residential properties of approximately 8,808 square meters and car parking spaces of approximately 2,266 square meters.

Upon the transfer of the Right of Return taking effect, the Joint Venture shall (i) be entitled to receive all proceeds arising from the development, construction, renovation, maintenance, property management, lease, sale, use and disposal of each of the Property Projects and (ii) be responsible for development, construction, renovation, maintenance, property management and disposal, whether by way of lease, sale or transfer in its entirety, of the Property Projects.

Term of operation of the Joint Venture

The term of operation of the Joint Venture shall be five years from the date of issuance of its business license, unless otherwise agreed in partners' meetings of the Joint Venture (**Partners' Meetings**).

Management of the Joint Venture

Partners' Meetings

Pursuant to the JV Agreement, Partners' Meetings, which shall be attended by all partners of the Joint Venture, shall have the highest authority for determination of matters in respect of the Joint Venture, and the following matters (the **Reserved Matters**) shall be unanimously decided by all partners of the Joint Venture in Partners' Meetings:

- (i) consideration of annual reports prepared by the Executive Partner (defined below);
- (ii) change in the name, place of business and business scope of the Joint Venture;
- (iii) premature termination or extension of the term of operation of the Joint Venture;
- (iv) merger, division, dissolution or change in form of organization of the Joint Venture;
- (v) approval of transfer of interest in the Joint Venture in accordance with the JV Agreement;
- (vi) approval of addition to or withdrawal from the partnership in accordance with the JV Agreement;
- (vii) selection and appointment of auditing firm for the Joint Venture;
- (viii) transfer or disposal of intellectual property rights and other assets (not including the interest in the Property Projects) of the Joint Venture;
- (ix) approval of increase or reduction in the capital commitment of respective partners of the Joint Venture;
- (x) provision by the Joint Venture of guarantees for third parties;
- (xi) pledging by the partners of their respective interests in the Joint Venture; and

- (xii) other matters which are required to be resolved by unanimous consent of all partners of the Joint Venture pursuant to applicable laws, regulations, departmental rules or the terms of the JV Agreement.

The Investment Committee

Pursuant to the JV Agreement, the Investment Committee shall be set up and shall consist of five members, of whom three members shall be appointed by the CMBC-designated General Partner, one member shall be appointed by the Inferior Limited Partners and the remaining member shall be appointed by the SRE General Partner.

The Investment Committee shall be responsible for consideration of and making decisions on the following matters, which require unanimous consent of all members of the Investment Committee:

- (i) investment plan(s) of the Joint Venture;
- (ii) proposal(s) in respect of disposal of the Property Projects;
- (iii) budget and distribution proposal(s) of the Joint Venture; and
- (iv) other material matters of the Joint Venture (except for the Reserved Matters).

The Executive Partner

According to the JV Agreement, the SRE General Partner shall serve as the executive partner of the Joint Venture (the **Executive Partner**) and be responsible for the daily operation and management of the Joint Venture and implementation of decisions and resolutions of Partners' Meetings and the Investment Committee, without entitlement to any management fees in relation thereto. The CMBC-designated General Partner is also not entitled to any management fees.

Profit Distribution

Pursuant to the JV Agreement, profit of the Joint Venture shall be calculated and/or distributed to the Superior Limited Partner and the Inferior Limited Partners on a half-yearly basis. The distribution amount shall be calculated at a predetermined annual rate based on the respective balance of paid-in capital contributed by the Superior Limited Partner and the Inferior Limited Partners to the Joint Venture at the prevailing time. The General Partners shall not be entitled to distribution of profit of the Joint Venture.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

Being an integrated real estate developer focusing on high-quality development projects and renewal projects in first-tier cities in the PRC, the Group is also expanding its investment businesses and seeking to achieve an accelerated investment-withdrawal and gain-capturing process by adopting the “financing,

investment, management and withdrawal” approach. The Board is of the view that the Joint Venture represents a good commercial opportunity for the Group by serving as a platform for the Group to make medium-term investment in four quality property projects in three first-tier cities in the PRC (i.e. Beijing, Shanghai and Shenzhen) as minority limited partners, and at the same time to take an active role in the development, management and disposal of the Property Projects as a general and executive partner, with a view to maximizing return from its investment by leveraging its experience and strength in real estate businesses.

Having regard to the reasons for and benefits of the transactions contemplated under the JV Agreement, including the formation of the Joint Venture, the Board is of the view that the terms of the JV Agreement, which have been reached after arm’s length negotiation between the parties, are fair and reasonable, on normal commercial terms and in line with the overall investment strategy of the Group, and therefore in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP, SRE GENERAL PARTNER AND INFERIOR LIMITED PARTNERS

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. 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.

SRE General Partner is a company incorporated with limited liability in accordance with the law of the PRC and an indirectly wholly-owned subsidiary of the Company, and is principally engaged in investment businesses.

Shanghai Oasis is a company incorporated with limited liability in accordance with the law of the PRC and a subsidiary of the Company, and is principally engaged in development and sale of real estate.

Ningbo Investment Centre is a limited partnership established in the PRC and a subsidiary of the Company, and is principally engaged in investment businesses.

INFORMATION OF CMBC, CMBC-DESIGNATED GENERAL PARTNER AND SUPERIOR LIMITED PARTNER

CMBC is a joint stock company incorporated with limited liability in accordance with the law of the PRC, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively. CMBC and its subsidiaries mainly provide corporate and personal banking, treasury business, finance leasing, asset management and other financial services in the PRC.

CMBC-designated General Partner is a company incorporated with limited liability in accordance with the law of the PRC, and is principally engaged in investment and asset management.

Superior Limited Partner is a company incorporated with limited liability in accordance with the law of the PRC, and is principally engaged in trust funds and consultation services.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the formation of the Joint Venture calculated in accordance with Chapter 14 of the Listing Rules, based on the investment amount of RMB997,000,001 to be contributed by the Group to the Joint Venture, exceed 5% but are less than 25%, the entering into of the JV Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best of the Board's knowledge, information and belief having made all reasonable enquiries, no Director has a material interest in the JV Agreement, and no Director has abstained from voting on the board resolutions approving the JV Agreement.

DEFINITIONS

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

“Board”	the board of Directors
“Business Days”	a day (other than Saturdays, Sundays and statutory public holidays in the PRC)
“CMBC”	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a joint stock company incorporated with limited liability in accordance with the law of the PRC
“CMBC-designated General Partner”	Yingchuang Investment Management Co., Ltd. (盈創投資管理有限公司), a company incorporated in the PRC with limited liability, a general partner of the Joint Venture pursuant to the JV

Agreement

“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“General Partners”	the CMBC-designated General Partner and the SRE General Partner
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inferior Limited Partners”	Shanghai Oasis and Ningbo Investment Centre, limited partners of the Joint Venture which have lower priority than the Superior Limited Partner on distribution of profits of the Joint Venture
“Investment Committee”	the investment decision-making committee (投資決策委員會) of the Joint Venture
“JV Agreement”	the partnership agreement dated 29 December 2016 entered into among the CMBC-designated General Partner, the SRE General Partner, the Superior Limited Partner and the Inferior Limited Partners in relation to, among others things, the formation of the Joint Venture
“Joint Venture”	a limited partnership enterprise (有限合夥企業) to be established in the PRC pursuant to the JV Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningbo Investment Centre”	Ningbo Meishan Baoshuigangqu Zhiao Investment Centre (寧波梅山保稅港區置翱投資中心), a limited partnership established in the PRC and a subsidiary of the Company, a limited partner of the Joint Venture pursuant to the JV Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Property Projects”	four property projects located in Beijing, Shanghai and Shenzhen in the PRC and beneficially owned by CMBC, namely Minsheng Garden Project (民生花園項目), Shunyi Fenglin Project (順義風林項目), Xiangzhang Garden Project (香樟花園項目) and Shenzhen Project (深圳項目), details of which are more particularly set out under the section headed “The JV Agreement – Purpose of the Joint Venture and the Property Projects” in this announcement
“Right of Return”	the right to receive all proceeds derived from the development, construction, renovation, maintenance, property management, lease, sale, use and disposal of each of the Property Projects
“RMB”	renminbi, the lawful currency of the PRC
“Shanghai Oasis”	Shanghai Oasis Garden Real Estate Co., Ltd. (上海綠洲花園置業有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company, a limited partner of the Joint Venture pursuant to the JV Agreement
“Shareholders”	registered holders of the Shares from time to time
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“SRE General Partner”	Shanghai Shangpan Investment Management Co., Ltd. (上海上磐投資管理有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company, a general partner of the Joint Venture pursuant to the JV Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Superior Limited Partner”	Huaneng Guicheng Trust Co., Ltd. (華能貴誠信託有限公司), a company incorporated in the PRC with limited liability, a limited partner of the Joint Venture which has higher priority than the Inferior Limited Partners on distribution of profits of the Joint Venture
“%”	per cent

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*