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

SUPPLEMENTAL ANNOUNCEMENT

DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY UNDER CAPITAL INJECTION AGREEMENT

Reference is made to the announcement of SRE Group Limited (the “**Company**”) dated 15 May 2018 (the “**Announcement**”). Unless otherwise defined, all capitalised terms used herein shall have the same meanings given to them in the Announcement.

The Board wishes to supplement the Announcement with the following information:

- (i) in respect of the Call Option:
- (a) in the event that the Investor elects to exercise the Call Option, the percentage of equity interest in the Target Company to be transferred from Shanghai Yidong to the Investor will be calculated in accordance with the following formula, subject to a maximum percentage of 4% equity interest in the Target Company:
- $$\left(1 - \frac{\text{actual operating profit of the Target Company for the financial year}}{\text{relevant Guaranteed Amount for the corresponding financial year}}\right) \times 50\%$$
- (b) for illustration purpose only, in the event that the Call Option is exercised by the Investor in the first year during the Investment Period and 4% equity interest in the Target Company is transferred to the Investor at a nominal consideration, it will provide the Investor with a return of approximately 5.77% per annum on its RMB300 million investment in the Target Company under the First Capital Injection and the Capital Injection, calculated with reference to the unaudited net assets of the Target Group as of 31 December 2017 and as enlarged by the Investor’s capital contributions of RMB300 million;

- (ii) in respect of the Put Option:
 - (a) as regards the first specified events mentioned in the Announcement, “a certain threshold” refers to 20% or more of the net assets of the Target Company at the time of the Capital Injection;
 - (b) the Put Option Maximum Exercise Price of RMB380 million refers to the maximum exercise price if the Put Option will be exercised by the Investor in the last year (i.e. the third year) during the Investment Period. The maximum exercise price will be RMB327 million if the Put Option will be exercised in the first year, and RMB354 million if the Put Option will be exercised in the second year, in each case providing the Investor with a return of 9% per annum on its RMB300 million investment in the Target Company;
- (iii) the role of the Investor in respect of the Target Company is a passive investor, in that (a) there is a fixed Investment Period of 3 years in respect of the Investor’s investment in the Target Company, upon the expiry of which the Investor will exit by way of disposal of its equity interest in the Target Company, in respect of which the Company shall have a right of first refusal; (b) the Investor will not receive any dividend on its investment as the Target Company shall not make any profit distributions during the Investment Period according to the Capital Injection Agreement; (c) the Capital Injection Agreement does not give the Investor any right to nominate or appoint any director or senior management of the Target Company, given the intention of the parties that the Investor will not participate in the management of the affairs of the Target Company; and (d) due to the Investor’s lack of control over the board composition and management of the affairs of the Target Company as mentioned above, the financial results of the Target Group will not be consolidated into the financial statements of the Investor. On the contrary, by reason of the fact that the Company will maintain control over the board composition and management of the affairs of the Target Company after the First Capital Injection and the Capital Injection, the Target Company will remain as a subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Group; and
- (iv) in the context of the Investor being a passive investor as described in paragraph (iii) above, the Board considers that the investment return of approximately 5.77% per annum under the Call Option and 9% per annum under the Put Option as mentioned above are fair and reasonable, having considered the financing costs involved if the Target Company were to raise the same amount of funds by other means such as debt financings. Accordingly, the Board is of the view that the First Capital Injection and the Capital Injection, together with the profit guarantee, the Call Option and the Put Option as a package of commercial terms for introducing the Investor as a passive investor providing the said funds of RMB300 million to the Target Company, balancing the implications of such terms against the benefits of the cash inflow from the First Capital Injection and the Capital Injection, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save as disclosed above, all other information in the Announcement remains unchanged.

By Order of the Board
SRE Group Limited
Peng Xinkuang
Chairman

Hong Kong, 4 June 2018

As at the date of this announcement, the Board comprises seven executive directors, namely Mr. Peng Xinkuang, Mr. Liu Feng, 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*