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SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO POSSIBLE DISPOSAL OF (1) 51% EQUITY INTEREST IN SHANGHAI JINXIN; AND (2) THE SHAREHOLDER'S AND RELATED LOAN

THE POSSIBLE DISPOSAL

The Board announces that the Company intends to dispose of (i) its 51% equity interest in Shanghai Jinxin, comprising the Sale Shares and the Remaining Shares and (ii) the Shareholder's and Related Loan. On 22 May 2020, the Listing-for-Sale Announcement has been published on SUAEE and the Publication Period commences on 25 May 2020. The Listing-for-Sale Announcement sets out the major terms of the Possible Disposal, pursuant to which:

- The disposal of the Sale Shares will be conducted by way of the Listing-for-Sale. The Minimum Sale Shares Price shall be RMB1,608,605,080.71.
- As an integral part of the Listing-for-Sale, the Final Buyer shall also purchase the Remaining Shares at a price calculated with reference to the Final Sale Shares Price, which will be not less than RMB210,035,112.51.
- As an integral part of the Listing-for Sale, the Final Buyer shall also purchase the Shareholder's and Related Loan. As at 30 September 2019, the Shareholder's and Related Loan amounted to RMB789,073,286.25. As at 31 March 2020, the Shareholder's and Related Loan amounted to RMB845,974,805.64.

IMPLICATIONS UNDER THE LISTING RULES

Using the Aggregate Minimum Consideration as the basis of calculation, the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Possible Disposal is more than 75%. The Possible Disposal constitutes a very substantial disposal of the Company and will be subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In the event the Final Buyer is a connected person (as defined in the Listing Rules), the Possible Disposal will also constitute a connected transaction and be subject to announcement, reporting and independent Shareholders' approval requirements as applicable under Chapter 14A of the Listing Rules. In such event, an independent board committee comprising all the independent non-executive Directors will be established to advise the independent Shareholders in relation to the transactions contemplated under the Possible Disposal and an independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders of the same.

GENERAL

Shareholders and potential investors should note that the Possible Disposal may or may not proceed and exercise caution when dealing in the Shares. The final consideration for the Sale Shares and the Remaining Shares will depend on the final bid price offered by the Final Bidder, but in any event will be no less than RMB1,818,640,193.22.

After the Publication Period, the Company will issue an announcement to update the Shareholders whether or not the Final Bidder is identified and the Final Shares Price. The Company will issue a further announcement when the Final Buyer enters into the Transaction Documents and in such circumstances, the Company will prepare and despatch to the Shareholders a circular, containing information required under Chapter 14 and Chapter 14A (if applicable) of the Listing Rules, within 15 Business Days thereafter.

In the event that no Qualified Bidder is identified during the Publication Period or the Transaction Documents are not entered into by the Final Buyer, the Company will issue an announcement to update the Shareholders and the Possible Disposal will not proceed. No circular will be despatched to the Shareholders in accordance with the Listing Rules in such circumstances.

BACKGROUND OF THE POSSIBLE DISPOSAL

The Company intends to dispose of (i) its 51% equity interest in Shanghai Jinxin, comprising the Sale Shares and the Remaining Shares and (ii) the Shareholder's and Related Loan. On 22 May 2020, the Listing-for-Sale Announcement has been published on SUAEE and the Publication Period commences on 25 May 2020.

The Listing-for-Sale Announcement sets out the major terms of the Possible Disposal, a summary of which are set out below:

THE POSSIBLE DISPOSAL

(a) Subject matter

The subject matter of the Possible Disposal is (1) 51% equity interest in Shanghai Jinxin (comprising (i) the Sale Shares; and (ii) the Remaining Shares); and (2) the Shareholder's and Related Loan.

The Sale Shares and the Remaining Shares

The disposal of the Sale Shares will be conducted by way of the Listing-for-Sale. The Minimum Sale Shares Price shall be RMB1,608,605,080.71.

As an integral part of the Listing-for-Sale, the Final Buyer shall also purchase the Remaining Shares at a price calculated with reference to the Final Sale Shares Price, which will be not less than RMB210,035,112.51.

The Remaining Shares are subject to civil judgment in the PRC as at the date of the Listing-for-Sale Announcement. Vendor 4 will arrange to unfreeze the Remaining Shares before completion of the registration of transfer of the Remaining Shares.

Vendor 1, Vendor 2 and Vendor 3 together hold the Sale Shares whereas Vendor 4 holds the Remaining Shares. Vendor 1 has been authorized by Vendor 2, Vendor 3 and Vendor 4 to deal with the Possible Disposal through SUAEE on their behalf.

As at the date of this announcement, Shanghai Jinxin is held as to 18.8%, 18.42%, 7.89% and 5.89% by Vendor 1, Vendor 2, Vendor 3 and Vendor 4 respectively. The Vendors together hold a 51% equity interest in Shanghai Jinxin. Each of the Vendors is a wholly-owned subsidiary of the Company.

The Shareholder's and Related Loan

As at 30 September 2019, the Shareholder's and Related Loan is in the amount of RMB789,073,286.25. As at 31 March 2020, the Shareholder's and Related Loan amounted to RMB845,974,805.64.

As an integral part of the Listing-for-Sale, the Final Buyer shall also purchase the Shareholder's and Related Loan, of which:

1. the Historical Shareholder's Loan Interest which is in the amount of RMB218,640,193.22, shall be purchased at nil consideration as such amount has been included in the Aggregate Minimum Shares Price; and

2. the Other Shareholder's and Related Loan shall be purchased at the consideration of the equivalent outstanding amount of the Other Shareholder's and Related Loan on the date of payment by the Final Buyer to the Vendor 1 Joint Account.

(b) Major terms of the Possible Disposal

(A) Qualifications of potential bidders

The potential bidders shall satisfy the following qualifications:

- (1) the potential bidder shall be a legally established and validly existing company under the law in which it is registered;
- (2) the potential bidder shall have good business credibility and rich experience in real estate development, and shall itself (or its holding company or subsidiary) possess real estate development qualification of level 2 or above in the PRC;
- (3) the potential bidder shall have good financial status and payment ability, and shall at the same time provide a proof of savings during the Publication Period of no less than the amount of the Minimum Sale Shares Price and issued by a duly licensed bank in the jurisdiction of incorporation;
- (4) the potential bidder, its holding company or its subsidiary, shall either (a) be among the top 100 of the 2020 Top 500 Real Estate Development Enterprises in China* (2020中國房地產開發企業500強測評榜單) published by the China Real Estate Association* (中國房地產業協會); or (b) have owned any urban renewal project in Shanghai with a gross floor area of not less than 100,000 square meters in the last 3 years (document proof such as property ownership certificate, land transfer contract);
- (5) if the potential bidder prepays the same amount of the Security Money as partial consideration for the Possible Disposal in addition to as providing the Security Money, it shall not be subject to (4) above;
- (6) joint bidding shall be permitted and for (2) to (5) above, it shall be sufficient if the lead joint bidder is able to meet them; and
- (7) bids shall not be placed by agents or trustees.

(B) Workflow during the Listing-for-Sale

The Publication Period commences on 25 May 2020 and shall end on 19 June 2020. During the Publication Period, potential bidders may indicate their interest in purchasing the Sale Shares by submitting an application to SUAEE and pay security money in the amount of RMB320,000,000 (“**Security Money**”) to SUAEE in accordance with the Listing-for-Sale Announcement upon confirmation of their qualification, whereupon the potential bidders will become the qualified bidders (“**Qualified Bidder(s)**”). Potential bidders are not required to indicate their bidding price when they submit the application to SUAEE but they must accept the Minimum Sale Shares Price as the minimum bidding price.

If SUAEE does not receive any such application, the Publication Period will be extended for no more than 4 sessions lasting 5 Business Days each. In the event that no Qualified Bidder is identified in the Publication Period, the Possible Disposal will not proceed.

In the event that only one Qualified Bidder is identified during the Publication Period, the Qualified Bidder shall become the Final Bidder. The Final Bidder shall place a bid no less than the Minimum Sale Shares Price which shall become the Final Sale Shares Price.

In the event that more than one Qualified Bidder is identified during the Publication Period, the Qualified Bidders will enter into a competitive bidding process through the designated online system of SUAEE with the Minimum Sale Shares Price being the base price whereby the Qualified Bidder who offers the highest effective bid price shall become the Final Bidder. The highest effective bid price shall be the Final Sale Shares Price.

(C) Workflow after the Publication Period

1. After the Publication Period, the Company will issue an announcement to update the Shareholders whether or not the Final Bidder is identified and the Final Shares Price (if applicable).
2. After the Final Bidder is confirmed, the Vendors shall seek consent from the Bank Syndicate in respect of the Possible Disposal. If consent from the Bank Syndicate cannot be obtained, the Possible Disposal will not proceed. The consent from the Bank Syndicate shall not be needed in the event the Final Bidder is able to provide the Approved Letter of Undertaking, details of which have been set out in item (2) of the section headed “(G) Other terms” in this announcement.
3. The Vendors will issue pre-emptive right notice to Shanghai Zhongchong. If Shanghai Zhongchong does not exercise its pre-emptive right within 30 days, the Final Bidder will become the Final Buyer. If Shanghai Zhongchong exercises its pre-emptive right and, pursuant to 2. above, either obtains consent from the Bank Syndicate or is able to provide the Approved Letter of Undertaking, it will become the Final Buyer.

4. The Vendors and the relevant creditors of the Shareholder's and Related Loan will then enter into the Transaction Documents with the Final Buyer within 3 Business Days of the confirmation of the Final Buyer. The Company will issue an announcement to update the Shareholders the identity of the Final Buyer and will prepare and despatch a circular to the Shareholders containing information required under Chapter 14 and Chapter 14A (if applicable) of the Listing Rules.
5. The Transaction Documents will become effective upon the Company having convened and held a general meeting and obtained approval of the Possible Disposal and the transactions contemplated thereunder from the Shareholders in accordance with the Listing Rules and other applicable laws.
6. The Final Buyer shall pay the consideration according to schedule as disclosed under "(E) Consideration" below.
7. Within 3 Business Days after the Final Buyer has paid all consideration for the Sale Shares, the Shareholder's and Related Loan and 30% of the consideration for the Remaining Shares, the Vendors shall carry out the procedures relating to the registration of transfer of the Sales Shares.
8. As at the date of this announcement, Shanghai Jinxin is treated as a jointly controlled entity. Pursuant to the terms of the Listing-for-Sale, upon the Sale Shares having been transferred to the Final Buyer and the Final Buyer has paid all of the Final Remaining Shares Price into the Vendor 4 Joint Account, the shareholder's rights of Vendor 4 in Shanghai Jinxin will be exercised by the Final Buyer until the Remaining Shares have been transferred to the Final Buyer or the termination of the aforesaid transfer. After completion of the Possible Disposal, the Group will cease to have any interest in Shanghai Jinxin.

(D) Condition precedent to, (i) the Equity Transaction Agreement; (ii) the Sale and Purchase Agreement; and (iii) the Deeds of Assignment

The disposal of the Sale Shares, the Remaining Shares and the Shareholder's and Related Loan must proceed as a whole and therefore, are inter-conditional on each other.

(i) The Equity Transaction Agreement; (ii) the Sale and Purchase Agreement; and (iii) the Deeds of Assignment shall become legally binding agreement upon signing and shall become effective upon the Company having convened and held a general meeting and obtained approval of the Transaction Documents and the transactions contemplated thereunder from the Shareholders in accordance with the Listing Rules and other applicable laws.

In the event that the Transaction Documents do not become effective, the first installment of the Final Sale Shares Price will be refunded to the Final Buyer.

(E) Consideration

The Aggregate Minimum Shares Price is RMB1,818,640,193.22 which is determined after having taken into account a number of factors, including the valuation report on Shanghai Jinxin prepared by a qualified independent valuer in the PRC in relation to the Sale Shares and the Remaining Shares, the Historical Shareholder's Loan Interest and the investment cost and return to the Group.

Details of the consideration for the Sale Shares, the Remaining Shares and the Shareholder's and Related Loan are as follow:

	Sale Shares	Remaining Shares	Shareholder's and Related Loan
Minimum price	RMB1,608,605,080.71 (i.e. the Minimum Sale Shares Price)	RMB210,035,112.51 (i.e. the Minimum Remaining Shares Price)	(Note)
Final price	Final Sale Shares Price	At a price calculated based on the following formula: Final Sale Shares Price \div 45.11% \times 5.89%	Except for the Historical Shareholder's Loan Interest, equivalent to the actual outstanding amount on the date of payment by the Final Buyer

Note: For reference only, as at 30 September 2019, the Shareholder's and Related Loan amounted RMB789,073,286.25. As at 31 March 2020, the Shareholder's and Related Loan amounted to RMB845,974,805.64. The amount for the Historical Shareholder's Loan Interest is included in the Aggregate Minimum Shares Price, and therefore, it will be sold at nil consideration.

Payment arrangement of the consideration

The consideration for the Sale Shares, the Remaining Shares and the Shareholder's and Related Loan shall be paid in cash according to the following arrangement:

In respect of the Sale Shares:

- (1) the Security Money and the prepayment (if any) shall be treated as the first installment of the Final Sale Shares Price and paid into the Vendor 1 Designated Account on the following Business Day of the signing of the Equity Transaction Agreement; and

- (2) the remainder of the Final Sale Shares Price (after deducting the Security Money and the prepayment (if any)) shall be paid into the Vendor 1 Designated Account on the following Business Day of the Equity Transaction Agreement becoming effective.

Note: As Vendor 2 and Vendor 3 are foreign entities, the Final Buyer shall apply for the foreign exchange of those Final Sale Shares Price attributable to Vendor 2 and Vendor 3 so that the sum can be remitted to the offshore bank accounts of Vendor 2 and Vendor 3, the arrangement of which are as follows:

The Vendors shall carry out the procedures relating to the registration of transfer of the Sales Shares to the Final Buyer within 3 Business Days of the full payment of the Final Sale Shares Price to the Vendor 1 Designated Account, 30% of the Final Remaining Shares Price into the Vendor 4 Joint Account, the consideration of the Shareholder's and Related Loan to the Vendor 1 Joint Account.

Within 3 Business Days from the completion of the aforementioned procedures and the Final Buyer having obtained all relevant approval to remit the sum to offshore account, another bank account shall be jointly opened by Vendor 2 and Vendor 3 with the Final Buyer, at their designated bank, under the Final Buyer's name and to be jointly administered by the aforesaid Vendors and the Final Buyer ("**Purchaser Joint Account**").

Vendor 1 shall pay those Final Sale Shares Price attributable to Vendor 2 and Vendor 3 into the Purchaser Joint Account on the day it is opened. The Final Buyer shall, on the same day of receipt of the said sum, buy foreign exchange of the aforesaid amount and remit the same to the offshore bank accounts designated by Vendor 2 and Vendor 3 respectively.

In a typical transaction involving the remittance of funds to foreign entities, the normal procedure will be for a purchaser to obtain all applicable approvals pertaining to cross-border payment, apply for foreign exchange from banks and finally remit the foreign currency denominated amount to the offshore bank accounts.

The Directors, having considered the best interests of the Company and its shareholders as a whole, have decided that the best arrangement will be to require the Final Buyer to first pay the entire Final Sale Shares Price into the Vendor 1 Designated Account (which is an onshore account) so that the whole amount is first secured before completion of the registration of the Sale Shares.

The Final Sale Shares Price attributable to Vendor 2 and Vendor 3 will be transferred to the Purchaser Joint Account only after the Final Buyer has obtained all applicable approvals pertaining to cross-border payment whereby only the relatively easy steps of buying foreign exchange and remittance of the same remain.

Although the transfer is to take place after completion of the registration of the transfer of the Sale Shares to the Final Buyer, (1) the Purchaser Joint Account shall only be jointly administered by Vendor 2, Vendor 3 and the Final Buyer; and (2) the Final Buyer will have settled the entire consideration with only technical cross-border payment procedures remaining.

The Directors consider the foreign exchange arrangement to be fair and reasonable and sufficient safeguards have been put in place.

In respect of the Remaining Shares:

- (1) 30% of the Final Remaining Shares Price shall be paid by the Final Buyer into the Vendor 4 Joint Account on the following Business Day of the Equity Transaction Agreement becoming effective;
- (2) 70% of the Final Remaining Shares Price shall be paid by the Final Buyer into the Vendor 4 Joint Account before the application in respect of the transfer of the Remaining Shares is made to the relevant government bureaus; and
- (3) the Final Remaining Shares Price in the Vendor 4 Joint Account shall be released to the Vendor 4 Designated Account on the day of completion of the registration of transfer of the Remaining Shares or, if the Final Buyer fails to arrange the aforesaid release, Vendor 4 shall have the right to request the bank of the Vendor 4 Joint Account to effect the aforesaid release from the following Business Day of the completion of the registration of transfer of the Remaining Shares by producing the search results of the completion of change of industrial and commercial registration.

In respect of the Shareholder's and Related Loan:

- (1) the consideration of the Other Shareholder's and Related Loan shall be paid into the Vendor 1 Joint Account before the application in respect of the transfer of the Sale Shares is made to the relevant government bureau (in any event no later than 30 days from the date of effective date of the Equity Transaction Agreement, whichever is the earlier); and
- (2) on the day of completion of the registration of transfer of the Sale Shares, the consideration of the Other Shareholder's and Related Loan received in the Vendor 1 Joint Account shall be released to the accounts designated by the corresponding parties or, if the Final Buyer fails to arrange the aforesaid release, Vendor 1 shall have the right to request the bank of the Vendor 1 Joint Account to effect the aforesaid release from the following Business Day of the completion of the registration of transfer of the Sale Shares by producing the search results of the completion of change of industrial and commercial registration.

(F) Completion

Completion of the disposal of the Sale Shares shall be regarded to have taken place upon the registration of transfer of the Sale Shares.

Completion of the disposal of the Remaining Shares shall be regarded to have taken place upon the registration of transfer of the Remaining Shares.

Completion of the disposal of Other Shareholder's and Related Loan shall be regarded to have taken place upon the payment of the consideration for the same into the Vendor 1 Joint Account by the Final Buyer.

(G) Other terms

- (1) As at 30 September 2019, the outstanding principal amount under the Syndicated Loan Agreement amounted to approximately RMB3,376,710,000 (approximately RMB3,451,820,000 as at 31 March 2020). Pursuant to the guarantee provided by the Company and Vendor 1 to the Bank Syndicate in respect of the Syndicated Loan Agreement, whereby the Company and Vendor 1 jointly, severally and irrevocably guarantee the performance of Shanghai Jinxin's obligations under the Syndicated Loan Agreement, including but not limited to the payment of principal, interest, compound interest, penalty interest etc. The Possible Disposal will not proceed if the consent from the Bank Syndicate cannot be obtained and under such situation, the Security Money and the prepayment (if any) will be refunded to the Final Bidder. Subject to other requirements stipulated by the Bank Syndicate, the Final Buyer shall take up the obligations of (a) the Company and Vendor 1 under the Guarantee; and (b) CMIG Jiaye under the Letter of Undertaking.
- (2) The consent from the Bank Syndicate stipulated in (1) above shall not be needed in the event the Final Buyer is able to provide the Approved Letter of Undertaking.
- (3) 50% of any profit or loss incurred by Shanghai Jinxin from 30 September 2019 until completion of the Possible Disposal ("**Period**") shall be borne by the Final Buyer in accordance with the 50/50 arrangement agreed between the Company and Shanghai Zhongchong.
- (4) For the avoidance of doubt, the Final Buyer shall purchase the amount of the Shareholder's and Related Loan that has accrued up to the actual date of payment, details of which have been set out under in the section headed "(E) Consideration", Please refer to the paragraph headed "(a) Subject matter" for details on the amount of consideration payable for the Shareholder's and Related Loan.
- (5) The existing employment contracts for all staff of Shanghai Jinxin shall continue to be performed.

- (6) The Final Buyer shall procure Shanghai Jinxin to continue the operations of the Shanghai Rich Gate I Project.
- (7) The Final Buyer shall accept the rights and obligations of the Vendors as shareholders of Shanghai Jinxin under the current joint venture agreement and the supplementary agreement with Shanghai Zhongchong and the articles of association of Shanghai Jinxin (the key terms of which have been set out in the announcement of the Company dated 29 December 2016 and the circular of the Company dated 19 January 2017, both in respect of the Company's disposal of its 49% equity interest in Shanghai Jinxin to Shanghai Zhongchong). Under the current joint venture agreement and the supplementary agreement with Shanghai Zhongchong and the articles of association of Shanghai Jinxin, the investment gain of Shanghai Jinxin shall be allocated by the Vendors and Shanghai Zhongchong according to 50:50 ratio any shareholder's loan advanced to Shanghai Jinxin shall be contributed according to 50:50 ratio.

INFORMATION ABOUT SHANGHAI JINXIN

Shanghai Jinxin was incorporated in the PRC in October 2002 with a registered capital of RMB2,660,000,000. As at the date of this announcement, the Company (through the Vendors) holds 51% equity interest of Shanghai Jinxin. The remaining 49% equity interest of Shanghai Jinxin is held by Shanghai Zhongchong.

Shanghai Jinxin is principally engaged in the development of the Shanghai Rich Gate I Project, and its principal asset is the land located at nos. 717-719, Daxing Road, Huangpu District, Shanghai. The Shanghai Rich Gate I Project covers a site area of 37,129 square meters. It is planned to be developed into luxurious apartments, office and community commercial properties. The Shanghai Rich Gate I Project is currently in the process of relocation of the existing households and demolition of the existing buildings.

Set out below is certain financial information of Shanghai Jinxin for the two financial years ended 31 December 2018 and 31 December 2019 respectively and prepared according to the PRC accounting standards.

	For the year ended 31 December	
	2019	2018
	(unaudited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before and after tax	1,680	3,032

The audited net assets value of Shanghai Jinxin as at 31 December 2019 amounted to approximately RMB2,666,855,867.84. The unaudited net assets value of Shanghai Jinxin as at 30 September 2019 amounted to approximately RMB2,667,248,174.92.

The audited total liabilities of Shanghai Jinxin as at 31 December 2019 amounted to approximately RMB4,539,936,883.38. The unaudited total liabilities of Shanghai Jinxin as at 30 September 2019 amounted to approximately RMB4,436,524,369.85.

The audited total assets of Shanghai Jinxin as at 31 December 2019 amounted to approximately RMB7,206,792,751.22. The unaudited total assets of Shanghai Jinxin as at 30 September 2019 amounted to approximately RMB7,103,772,544.77.

The appraised value of the Sale Shares and the Remaining Shares as at 30 September 2019 was approximately RMB1,510,000,000 based on a valuation report performed by an independent professional valuer using asset-based approach.

Market approach was not selected by the valuer because the approach requires a comparable market transaction as reference for the value of the Possible Disposal. The valuer was not able to identify any transaction that could be used to compare with Shanghai Jinxin and thus market approach was not selected.

Income approach has been considered by the valuer but was also not selected by the valuer as valuation conclusion because the valuer noted that numerous subjective assumptions had to be made and the valuation was extremely susceptible to those assumptions. Moreover, there were still certain uncertainties regarding the operational information, long-term sales plan and financial plan of Shanghai Jinxin which rendered income approach less appropriate in the valuation.

Asset based approach looks to the value of assets and liabilities on the balance sheet of the valuation object. It is suitable for determining the value of companies lacking comparables or with profit or cash flow that cannot be accurately ascertained.

In light of the foregoing, the valuer considers asset based approach to be appropriate in valuing Shanghai Jinxin after taking into account that:

- (1) the transaction concerns an equity interest, i.e. 51% equity interest in Shanghai Jinxin; and
- (2) the main asset of Shanghai Jinxin is a real estate project at an early development stage.

Asset based approach allows for valuation based on the nature and status of the particular asset or liability in question. In the valuation of Shanghai Jinxin, market approach is adopted in valuing the land, cost method is used in valuing the fixed asset; and the carrying value after verification is used in valuing other assets and liabilities. Asset based approach is therefore more accurate in determining the value of the 51% equity interest in Shanghai Jinxin.

The key assumptions of the valuation included, among others, that Shanghai Jinxin will operate on a going concern basis, there will not be changes in politics, laws, technology, or financial or economic conditions which may materially and adversely affect the operations of Shanghai Jinxin, and the information relating to the costs and timing of relocation provided by Shanghai Jinxin are true and accurate and the relocation can be completed according to the scheduled time and there is no other factor that may cause change to the relocation costs.

USE OF PROCEEDS AND FINANCIAL IMPACT OF THE POSSIBLE DISPOSAL

Based on the Aggregate Minimum Consideration, the gross proceeds from the Possible Disposal are expected to be the aggregate of approximately RMB2,389,073,286.25 and net proceeds (after deducting related tax expenses, transaction cost and professional expenses) are expected to be the aggregate of approximately RMB2,308,503,482.59. The Group intends to use: (i) no more than approximately RMB1,676,000,000 to repay part of the interest-bearing liabilities of the Group; and (ii) the remaining of the proceeds for general working capital purpose.

Based on the Aggregate Minimum Consideration, the Possible Disposal is expected to give rise to a gain of approximately RMB300,404,920.73 (before taxation, if any), being the difference between Aggregate Minimum Consideration for the Possible Disposal and (i) the audited carrying value of the Group's investment in 51% equity interest in Shanghai Jinxin of approximately RMB1,510,000,000.00 based on the audited financial information of the Group as at 31 December 2019; and (ii) the related transaction costs and expenses of the Possible Disposal. The actual gain or loss as a result of the Possible Disposal to be recorded by the Company is subject to the Aggregate Final Consideration and the carrying value of the Group's investment in 51% equity interest in Shanghai Jinxin and the final amount of the Shareholder's and Related Loan at completion.

REASONS FOR AND BENEFITS OF THE POSSIBLE DISPOSAL

The Company has carefully reviewed its financial position, the progress and the development pressure of the various projects it has undertaken. After due deliberation, the Board has decided to withdraw from the Shanghai Rich Gate I Project and dispose of the Sale Shares and the Remaining Shares. The proceeds from the Possible Disposal will enhance the Company's cash flow position and provide additional capital resources for the Company to focus on investment projects, operating projects and other opportunities. Given the Group's past success with disposing its interest through listing-for-sale on SUAEE, the Board views that it is desirable for the Group to dispose of the 51% equity interest in Shanghai Jinxin and the Shareholder's and Related Loan through Listing-for-Sale to maximize value for the Shareholders.

INFORMATION ABOUT THE PARTIES

The Group is an integrated real estate developer focusing on high-quality development projects and renewal projects. While the Group is mainly focusing on high-quality property development, it is also seeking to explore new opportunities in urban development and renewal. 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.

In respect of the Sale Shares

Each of Vendor 1, Vendor 2 and Vendor 3 is an indirect wholly-owned subsidiary of the Company. Vendor 1 is principally engaged in real estate business. Vendor 2 and Vendor 3 are principally engaged in investment and asset management business.

In respect of the Remaining Shares

Vendor 4 is an indirect wholly-owned subsidiary of the Company. Vendor 4 is principally engaged in real estate investment and operation.

In respect of the Shareholder's and Related Loan

Shanghai Jinwu is an indirect 97%-owned subsidiary of the Company. Shanghai Jinwu is principally engaged in real estate development and operation, property management and real estate leasing business.

The ultimate beneficial owner of Ningbo Meishan is Mr. 顏建南 who is a substantial shareholder of 上置資產管理(上海)有限公司(a company accounted for as an associate and in which the Group holds 20% interest). Ningbo Meishan is principally engaged in industrial investment, investment management and investment consultation business.

Shangzhi Yijia is an indirect wholly-owned subsidiary of the Company. Shangzhi Yijia is principally engaged in investment management, investment consultation, corporate management consultation business.

IMPLICATIONS UNDER THE LISTING RULES

Using the Aggregate Minimum Consideration as the basis of calculation, the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Possible Disposal is more than 75%. The Possible Disposal constitutes a very substantial disposal of the Company and will be subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In the event the Final Buyer is a connected person (as defined in the Listing Rules), the Possible Disposal will also constitute a connected transaction and be subject to announcement, reporting and independent Shareholders' approval requirements as applicable under Chapter 14A of the Listing Rules. In such event, an independent board committee comprising all the independent non-executive Directors will be established to advise the independent Shareholders in relation to the transactions contemplated under the Possible Disposal and an independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders of the same.

GENERAL

Shareholders and potential investors should note that the Possible Disposal may or may not proceed and exercise caution when dealing in the Shares. The final consideration for the Sale Shares and the Remaining Shares will depend on the final bid price offered by the Final Bidder, but in any event will be no less than RMB1,818,640,193.22.

After the Publication Period, the Company will issue an announcement to update the Shareholders whether or not the Final Bidder is identified and the Final Shares Price. The Company will issue a further announcement when the Final Buyer enters into the Transaction Documents and in such circumstances, the Company will prepare and despatch to the Shareholders a circular, containing information required under Chapter 14 and Chapter 14A (if applicable) of the Listing Rules, within 15 Business Days thereafter.

In the event that no Qualified Bidder is identified during the Publication Period or the Transaction Documents are not entered into by the Final Buyer, the Company will issue an announcement to update the Shareholders and the Possible Disposal will not proceed. No circular will be despatched to the Shareholders in accordance with the Listing Rules in such circumstances.

DEFINITIONS

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

“Aggregate Final Consideration”	the aggregate of the final consideration of the Sale Shares, the Remaining Shares and the Other Shareholder’s and Related Loan
“Aggregate Minimum Consideration”	the aggregate amount of the Minimum Sale Shares Price, the Minimum Remaining Shares Price and the Shareholder’s and Related Loan as at 30 September 2019
“Aggregate Minimum Shares Price”	the aggregate amount of the Minimum Sale Shares Price and the Minimum Remaining Shares Price
“Approved Letter of Undertaking”	the letter of undertaking as approved by the Vendors in respect of the early settlement of all of Shanghai Jinxin’s bank indebtedness towards the Bank Syndicate (approximately RMB3,376,710,000 as at 30 September 2019) and the payment of penalties due to the Bank Syndicate resulting therefrom (if any) before the completion of the Possible Disposal
“Bank Syndicate”	the syndicate of banks with which Shanghai Jinxin has executed the Syndicated Loan Agreement
“Board”	the board of Directors

“Business Day(s)”	any day (other than a Saturday or Sunday or general public holiday) on which banks open for general business in PRC
“CMIG Jiaye”	China Minsheng Jiaye Investment Company Limited, a controlling shareholder of the Company
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Deeds of Assignment”	the deeds of assignment of loan with each of the relevant creditor in respect of the Shareholder’s and Related Loan respectively
“Director(s)”	the director(s) of the Company
“Equity Transaction Agreement”	the agreement in respect of the transfer of the Sale Shares to be entered into among Vendor 1, Vendor 2, Vendor 3 and the Final Buyer
“Final Bidder”	the successful bidder of the Listing-for-Sale
“Final Buyer”	the final buyer of the Possible Disposal
“Final Remaining Shares Price”	the final price for the Remaining Shares
“Final Sale Shares Price”	the final bidding price for the Sale Shares
“Final Shares Price”	the Final Sale Shares Price and the Final Remaining Shares Price
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee provided by the Company and Vendor 1 to the Bank Syndicate in respect of the Syndicated Loan Agreement, whereby the Company and Vendor 1 jointly, severally and irrevocably guarantee the performance of Shanghai Jinxin’s obligations under the Syndicated Loan Agreement, including but not limited to the payment of principal, interest, compound interest, penalty interest etc.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Historical Shareholder’s Loan Interest”	the amount of RMB218,640,193.22, being the interest of shareholder’s loan owed by Shanghai Jinxin to Vendor 1 accrued from 2006 to 31 December 2013, which has not been paid yet

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Letter of Undertaking”	the letter of undertaking provided by CMIG Jiaye to the Bank Syndicate in respect of the Syndicated Loan Agreement, whereby CMIG Jiaye (1) pledges to provide capital support to Shanghai Jinxin in the event of cost overruns of its projects or potential breach of the Syndicated Loan Agreement by it; and (2) undertakes to maintain actual control of Shanghai Jinxin until it has fulfilled its obligations under the Syndicated Loan Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing-for-Sale”	the listing-for-sale process carried out through SUAEE for the Possible Disposal
“Listing-for-Sale Announcement”	the announcement published on 22 May 2020 on the SUAEE in respect of the Listing-for-Sale
“Minimum Remaining Shares Price”	the minimum price for the Remaining Shares, being RMB210,035,112.51
“Minimum Sale Shares Price”	the minimum price for the Sale Shares, being RMB1,608,605,080.71
“Ningbo Meishan”	Ningbo Meishan Free Trade Zone Fuzhi Investment Center LLP* (寧波梅山保稅港區福置投資中心(有限合夥), the ultimate beneficial owner of which is a substantial shareholder of 上置資產管理(上海)有限公司 (a company accounted for as an associate and in which the Group holds 20% interest)
“Other Shareholder’s and Related Loan”	the Shareholder’s and Related Loan other than the Historical Shareholder’s Loan Interest
“Possible Disposal”	the Company’s intended disposal of: <ul style="list-style-type: none"> (1) its 51% equity interest in Shanghai Jinxin, comprising the Sale Shares and the Remaining Shares; and (2) the Shareholder’s and Related Loan
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Publication Period”	the period during which the Possible Disposal is disclosed by way of the Listing-for-Sale Announcement

“Purchaser Joint Account”	an account to be opened under the Final Buyer’s name at the bank designated by Vendor 2 and Vendor 3 and to be jointly administered by Vendor 2, Vendor 3 and the Final Buyer
“Qualified Bidder(s)”	has the meaning ascribed to it in the paragraph headed “(B) Workflow during the Listing-for-Sale” in this announcement
“Remaining Shares”	the 5.89% equity interest in Shanghai Jinxin held by Vendor 4
“RMB”	Renminbi, the lawful currency of PRC
“Sale and Purchase Agreement”	the agreement in respect of the transfer of the Remaining Shares to be entered into between Vendor 4 and the Final Buyer at the same time as the Equity Transaction Agreement
“Sale Shares”	the 45.11% equity interest in Shanghai Jinxin collectively held by Vendor 1, Vendor 2 and Vendor 3
“Shanghai Jinxin”	Shanghai Jinxin Real Estate Company Limited (上海金心置業有限公司), a joint venture of the Company
“Shanghai Jinwu”	Shanghai Jinwu Real Estate Company Limited (上海金午置業有限公司), a 97%-owned subsidiary of the Company
“Shanghai Zhongchong”	Shanghai Zhongchong Binjiang Industrial Development Co., Ltd.* (上海中崇濱江實業發展有限公司), a limited liability company incorporated in the PRC
“Shangzhi Yijia”	Shangzhi Yijia Investment Management (Shanghai) Company Limited* (上置毅家投資管理(上海)有限公司), a wholly-owned subsidiary of the Company
“Shareholder’s and Related Loan”	<p>the shareholder’s and related loan (including the Historical Shareholder’s Loan Interest, principal amount, interest, account receivables from guarantee fee, consultation service charge) outstanding on the date of payment by the Final Buyer owed by Shanghai Jinxin to the following parties:–</p> <ol style="list-style-type: none"> (1) Vendor 1; (2) Shanghai Jinwu; (3) Ningbo Meishan; and (4) Shangzhi Yijia

“Shareholders”	registered holders of the Shares from time to time
“Shares”	ordinary shares of par value of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUAEE”	Shanghai United Assets and Equity Exchange (上海聯合產權交易所), a comprehensive service organization for assets and equity transaction approved by Shanghai Municipal Government
“Syndicated Loan Agreement”	the syndicated loan agreement entered into between Shanghai Jinxin and the Bank Syndicate
“Transaction Documents”	collectively, (i) Equity Transaction Agreement; (ii) the Sale and Purchase Agreement; and (iii) Deeds of Assignment
“Vendor 1”	Shanghai Oasis Garden Real Estate Company Limited (上海綠洲花園置業有限公司), a limited liability company incorporated in the PRC, an indirect wholly-owned subsidiary of the Company which holds 18.8% equity interest in Shanghai Jinxin as at the date of this announcement
“Vendor 1 Designated Account”	the account designated by Vendor 1 to receive payments from the Final Buyer on behalf of Vendor 1, Vendor 2 and Vendor 3 in respect of the Sale Shares
“Vendor 1 Joint Account”	an account to be opened by Vendor 1 under Vendor 1’s name and to be jointly administered by Vendor 1 and the Final Buyer
“Vendor 2”	Shunlink Investment Limited (上聯投資有限公司), a company established in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company, which holds 18.42% equity interest in Shanghai Jinxin as at the date of this announcement
“Vendor 3”	Gaken Investment Limited (嘉勤投資有限公司), a company established in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company, which holds 7.89% equity interest in Shanghai Jinxin as at the date of this announcement
“Vendor 4”	SRE Jiaye Real Estate Development (Shanghai) Company Limited (上置嘉業房地產發展(上海)有限公司), a limited liability company incorporated in the PRC, an indirect wholly-owned subsidiary of the Company which holds 5.89% equity interest in Shanghai Jinxin as at the date of this announcement

“Vendor 4 Joint Account”	an account to be opened by Vendor 4 under Vendor 4’s name (or the name of such designated party as Vendor 4 may direct) and to be jointly administered by Vendor 4 and the Final Buyer
“Vendor 4 Designated Account”	the account designated by Vendor 4 to receive payments from the Final Buyer in respect of the Remaining Shares
“Vendors”	collectively, Vendor 1, Vendor 2, Vendor 3 and Vendor 4
“%”	per cent

By Order of the Board
SRE Group Limited
Lei Dechao
Chairman

Hong Kong, 22 May 2020

As at the date of this announcement, the Board comprises eight executive directors, namely Mr. Lei Dechao, Mr. Zhu Qiang, Ms. Qin Wenying, Mr. Jiang Qi, Ms. Jiang Chuming, Mr. Zong Shihua, Mr. Peng Xinkuang (suspended) and Mr. Chen Donghui (suspended); 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*