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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 the transferee.

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**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
DISPOSALS OF EQUITY INTEREST IN
PROFIT CONCEPT INVESTMENTS LIMITED
AND RELATED SHAREHOLDER LOANS**

A letter from the Board is set out on pages 5 to 13 of this circular.

* *For identification purpose only*

12 July 2019

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DEFINITIONS

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

“2019 Agreement”	an agreement dated 30 May 2019 and entered into among the Seller, Purchaser A, Purchaser B and the Target Company in relation to the 2019 Disposals
“2018 Agreement”	an agreement dated 3 May 2018 and entered into among the Seller, Purchaser A and the Target Company in relation to the disposal of 50% of the total issued share capital of the Target Company and 50% of the total outstanding shareholder loan then due from the Target Company to the Seller as at the date of the 2018 Agreement
“2018 Announcement”	the announcement of the Company dated 3 May 2018 in respect of the 2018 Agreement
“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 2019 Disposals
“Director(s)”	the director(s) of the Company
“Disposal A”	the disposal of the Sale Shares A and the Sale Loan A by the Seller to Purchaser A pursuant to the 2019 Agreement
“Disposal B”	the disposal of the Sale Shares B and the Sale Loan B by the Seller to Purchaser B pursuant to the 2019 Agreement
“2018 Disposal”	the disposal of shares in and shareholder loan due from the Target Company by the Seller to Purchaser A pursuant to the 2018 Agreement
“2019 Disposals”	Disposal A and Disposal B
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Third Party”	an independent third party not connected with the Company or its connected persons (as defined in the Listing Rules)
“Jiashun”	Jiashun (Holding) Investment Limited (嘉順(控股)投資有限公司), a company incorporated in Hong Kong and the controlling Shareholder holding approximately 60.78% of the total issued share capital of the Company
“JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer
“Latest Practicable Date”	19 June 2019, 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
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser A”	Ronghe International Group Limited (榮和國際集團有限公司), a company incorporated in Hong Kong with limited liability, a connected person of the Company at the subsidiary level
“Purchaser A’s Loan”	the loan in the amount of £648,471.28 granted by Purchaser A to the Seller pursuant to the loan agreement entered into by Purchaser A as the lender and the Seller as the borrower on 3 May 2018
“Purchaser B”	Well Win Holding Trading Limited (佳成控股貿易有限公司), a company incorporated in Hong Kong with limited liability, an Independent Third Party
“Sale Loans”	the Sale Loan A and the Sale Loan B
“Sale Loan A”	the 1st Tranche Sale Loan A and the 2nd Tranche Sale Loan A, totaling £13,114,320.68, representing 21.1% of the total outstanding shareholder loan due from the Target Company to its shareholders as at the date of the 2019 Agreement

DEFINITIONS

“Sale Loan B”	£18,644,936.20, representing 30.0% of the total outstanding shareholder loan due from the Target Company to its shareholders as at the date of the 2019 Agreement
“Sale Shares”	the Sale Shares A and the Sale Shares B
“Sale Shares A”	the 1st Tranche Sale Shares A and the 2nd Tranche Sale Shares A, totaling 211 ordinary shares in the Target Company, which represent 21.1% of the total issued share capital of the Target Company
“Sale Shares B”	300 ordinary shares in the Target Company, which represent 30.0% of the total issued share capital of the Target Company
“Seller”	Sinopower Investment Limited (華通投資有限公司), a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company, which directly owned 51.1% of the equity interest in the Target Company before Completion
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholders”	registered holders of the Shares from time to time
“Shares”	ordinary shares of HK\$1.0 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Profit Concept Investments Limited (潤斯投資有限公司), a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of the Company before Completion
“Target Group”	the Target Company and its subsidiaries
“1st Tranche Sale Loan A”	£648,470.27, representing 1.1% of the total outstanding shareholder loan due from the Target Company to its shareholders as at the date of the 2019 Agreement
“1st Tranche Sale Shares A”	11 ordinary shares in the Target Company, representing 1.1% of the total issued share capital of the Target Company

DEFINITIONS

“2nd Tranche Sale Loan A”	£12,465,850.40, representing 20% of the total outstanding shareholder loan due from the Target Company to its shareholders as at the date of the 2019 Agreement
“2nd Tranche Sale Shares A”	200 ordinary shares in the Target Company, representing 20.0% of the total issued share capital of the Target Company
“%”	per cent
“£”	pound sterling, the lawful currency of the United Kingdom

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. In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

LETTER FROM THE BOARD



SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

Executive Directors:

Peng Xinkuang (*Chairman*)
Liu Feng (*Chief Executive Officer*)
Chen Donghui
Zhu Qiang
Qin Wenying
Jiang Qi
Zhuo Fumin*
Chan, Charles Sheung Wai*
Ma Lishan*
Han Gensheng*

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*

Suite 1001, 10th Floor
One Pacific Place
88 Queensway
Hong Kong

* *independent non-executive Directors*

12 July 2019

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
DISPOSALS OF EQUITY INTEREST IN
PROFIT CONCEPT INVESTMENTS LIMITED
AND RELATED SHAREHOLDER LOANS**

INTRODUCTION

Reference is made to the 2018 Announcement and an announcement of the Company dated 30 May 2019.

While the 1st Tranche Sale Shares (as defined in the 2018 Announcement) and the 1st Tranche Sale Loan (as defined in the 2018 Announcement) were transferred from the Seller to Purchaser A pursuant to the 2018 Agreement, no completion for the transfer of the 2nd Tranche Sale Shares (as defined in the 2018 Announcement) and the 2nd Tranche Sale Loan

* *For identification purpose only*

LETTER FROM THE BOARD

(as defined in the 2018 Announcement) took place due to the non-occurrence of the Relevant Event (as defined in the 2018 Announcement). As such, the Target Company was held as to 51.1% by the Seller and 48.9% by Purchaser A before Completion.

On 30 May 2019, after trading hours, the Seller (a direct wholly-owned subsidiary of the Company), Purchaser A (a connected person of the Company at the subsidiary level), Purchaser B (an Independent Third Party) and the Target Company (an indirect non-wholly owned subsidiary of the Company before Completion) entered into the 2019 Agreement, pursuant to which the Seller conditionally agreed to sell, and (i) Purchaser A conditionally agreed to purchase, the Sale Shares A and the Sale Loan A for a total consideration of £13,114,339.98 (for illustration purpose only, equivalent to approximately HK\$131,274,543.20 using the exchange rate of £1:HK\$10.01); and (ii) Purchaser B conditionally agreed to purchase, the Sale Shares B and the Sale Loan B for a total consideration of £18,644,963.64 (for illustration purpose only, equivalent to approximately HK\$186,636,086.04 using the exchange rate of £1:HK\$10.01).

The purpose of this circular is to provide the Shareholders with, among others, (i) further information on the 2019 Disposals and the 2019 Agreement; and (ii) other information required to be disclosed under the Listing Rules.

THE 2019 AGREEMENT

The principal terms of the 2019 Agreement are set out as follows:

Date

30 May 2019 (after trading hours)

Parties

- (i) Sinopower Investment Limited (華通投資有限公司), a direct wholly-owned subsidiary of the Company, as the Seller;
- (ii) Ronghe International Group Limited (榮和國際集團有限公司), as Purchaser A;
- (iii) Well Win Holding Trading Limited (佳成控股貿易有限公司), as Purchaser B; and
- (iv) Profit Concept Investments Limited (潤斯投資有限公司), an indirect non-wholly owned subsidiary of the Company before Completion, as the Target Company.

Purchaser A was, before Completion, interested as to 48.9% of the equity interest in the Target Company, which was an indirect non-wholly owned subsidiary of the Company before Completion. As such, Purchaser A was considered as a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Purchaser B and its ultimate beneficial owner(s) is an Independent Third Party.

LETTER FROM THE BOARD

Subject matter

Subject to the terms and conditions of the 2019 Agreement, the Seller conditionally agreed to sell, and (i) Purchaser A conditionally agreed to purchase, the Sale Shares A and the Sale Loan A, representing 21.1% of the total issued share capital and the total outstanding shareholder loan due from the Target Company to its shareholders respectively, and (ii) Purchaser B conditionally agreed to purchase, the Sale Shares B and the Sale Loan B, representing 30.0% of the total issued share capital and the total outstanding shareholder loan due from the Target Company to its shareholders respectively.

The Target Company indirectly holds the entire beneficial interest in two real estate properties in London, the United Kingdom, namely 12 Moorgate and 41 Tower Hill. Please refer to the paragraphs headed “Information of the Target Company” below for further details.

Consideration for Disposal A

Pursuant to the 2019 Agreement, the total consideration of Disposal A amounts to £13,114,339.98 (for illustration purpose only, equivalent to approximately HK\$131,274,543.20 using the exchange rate of £1:HK\$10.01), comprising the following:

- (i) a sum of £648,471.28 (for illustration purpose only, equivalent to approximately HK\$6,491,197.51 using the exchange rate of £1:HK\$10.01) for the 1st Tranche Sale Shares A and the 1st Tranche Sale Loan A, which shall be settled by way of set-off against the Purchaser A’s Loan;
- (ii) a sum of £12,465,868.70 (for illustration purpose only, equivalent to approximately HK\$124,783,345.69 using the exchange rate of £1:HK\$10.01) for the 2nd Tranche Sale Shares A and the 2nd Tranche Sale Loan A, subject to adjustment as specified below, which shall be payable by Purchaser A to the Seller in cash within 10 business days from the date of the 2019 Agreement.

The sum payable by Purchaser A shall be adjusted by (i) the amount of deposit paid by Purchaser A for Disposal A together with the interest derived therefrom totaling £2,433,600, and (ii) relevant legal fees and expenses in connection with Disposal A which shall be born equally by the Seller and Purchaser A. After adjustment, a sum of £9,909,134.52 (for illustration purpose only, equivalent to approximately HK\$99,190,436.55 using the exchange rate of £1:HK\$10.01) for the 2nd Tranche Sale Shares A and the 2nd Tranche Sale Loan A shall be payable by Purchaser A to the Seller in cash within 10 business days from the date of the 2019 Agreement. Purchaser A has paid the total consideration of Disposal A (after the aforementioned adjustment) on 4 June 2019.

Consideration for Disposal B

Pursuant to the 2019 Agreement, the total consideration of Disposal B amounts to £18,644,963.64 (for illustration purpose only, equivalent to approximately HK\$186,636,086.04 using the exchange rate of £1:HK\$10.01), which shall be adjusted by the amount of deposit paid by Purchaser B for Disposal B together with the interest derived

LETTER FROM THE BOARD

therefrom totaling £3,650,400.00. After adjustment, a sum of £14,994,563.64 (for illustration purpose only, equivalent to approximately HK\$150,095,582.04 using the exchange rate of £1:HK\$10.01) for the Sale Shares B and the Sale Loan B shall be paid or procured to be paid by Purchaser B to the Seller in cash within 10 business days from the date of the 2019 Agreement. Purchaser B has paid the total consideration of Disposal B (after the aforementioned adjustment) on 31 May 2019.

The respective total consideration of Disposal A and Disposal B was determined after arm's length negotiations between the Seller and Purchaser A and Purchaser B, taking into consideration of, among others, (i) the assets and liabilities of the Target Group; (ii) the respective equity interest in the Target Company represented by the Sale Shares A and the Sale Shares B; (iii) the respective principal amount of the Sale Loan A and the Sale Loan B; and (iv) the estimated market value of the real estate properties held by the Target Group.

The Company generally adopts the "financing, investment, management and withdrawal" approach for all its investments. The 2018 Disposal and 2019 Disposals, which together represented the Company's withdrawal from its investment in the Target Company, shall be considered as a whole. When the Seller considered the timetable and consideration in relation to withdrawal from its investment in the Target Company, it mainly focused on (i) its investment costs incurred; and (ii) an expected rate of return from such investment. (i) and (ii) above amounted to a total of £60.59 million. Such amount is presented in the form of shareholder loans and share capital of HK\$1,000, mainly comprising (i) the Sale Loans under the 2019 Agreement of approximately £31.76 million; and (ii) the 1st Tranche Sale Loan under the 2018 Agreement of approximately £28.83 million.

In addition to the above, the Company has also taken into consideration the following:

- the assets of the Target Group mainly comprising the two properties in London held by the Target Group, the market value of which amounted to approximately £126.27 million as valued by an independent valuer (see Appendix II for the property valuation report);
- the liabilities of the Target Group which are made up mainly by (i) a bank loan granted by Nanyang Commercial Bank with an outstanding amount of £64.90 million as of May 2019; and (ii) the shareholder loans of approximately £60.59 million as mentioned above; and
- other commercial factors including the uncertainties in relation to Brexit and the dim prospect of the sterling exchange rate.

As explained above, although the market value of the two London properties held by the Target Group was approximately £126.27 million, the Target Group has liabilities of approximately £125.49 million (comprising a bank loan with an outstanding amount of approximately £64.9 million as of May 2019 and shareholder loans of approximately £60.59 million). Therefore, the market value of the properties is almost entirely offset by the liabilities of the Target Group. As the Seller is selling relevant shares and shareholder loans of the Target Company instead of the properties themselves, both the market value of the properties and the liabilities of the Target should be taken into consideration. Based on the

LETTER FROM THE BOARD

above, when determining the consideration for the 2019 Disposal, the Board was mainly looking for recovering the Sale Loans under the 2019 Agreement, which amounted to approximately £31.76 million. Such Sale Loans have already comprised the Seller's investment costs incurred in respect of the relevant interest in the Target Group plus a return.

After considering all of the above factors, the Board is of the view that the terms of the 2019 Agreement (including the respective total consideration of Disposal A and Disposal B mentioned above), which have been reached after arm's length negotiations between the parties, are fair and reasonable, and the 2019 Disposals are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Completion

Subject to the Company having satisfied all relevant regulatory requirements in connection with the 2019 Disposals, including obtaining Shareholders' approval for the 2019 Disposals, Completion shall take place on the 10th business day after the date of the 2019 Agreement.

The Company has satisfied all relevant regulatory requirements in connection with the 2019 Disposals, and Completion has taken place on 14 June 2019.

As at the Latest Practicable Date, the Target Company was held as to 70% by Purchaser A and 30% by Purchaser B, and the Company no longer held any interest in the Target Company. The Target Company has ceased to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

INFORMATION OF THE GROUP AND THE SELLER

The Group is an integrated real estate developer focusing on high-quality real estate development projects and urban renewal projects in first-tier and second-tier cities with relatively high potential in the PRC. The Group mainly engages in high-quality real estate development projects and at the same time 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.

The Seller is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding. Before Completion, the Seller directly owned 51.1% of the equity interest in the Target Company.

INFORMATION OF PURCHASER A

Purchaser A is a company incorporated in Hong Kong with limited liability, and is principally engaged in real estate investment and holding.

LETTER FROM THE BOARD

INFORMATION OF PURCHASER B

Purchaser B is a company incorporated in Hong Kong with limited liability, and is principally engaged in real estate investment and holding.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and was indirectly owned by the Company as to 51.1% before Completion. The Target Company indirectly holds the entire beneficial interest in two real estate properties in London, the United Kingdom:

- (1) a freehold property known as 12 Moorgate, which is a six-storey office building situated at the corner of Moorgate and Telegraph Street in the EC2 postcode, a prominent banking district in the core of the City of London, providing approximately 33,941 square feet for office and ancillary accommodation arranged over basement, ground and six upper floors; and
- (2) the freehold interest in a 1.7 acre property site (which comprises a nine-storey office building known as 41 Tower Hill and an adjoining five-storey car park building known as Minories Car Park) located in an established commercial district in Tower Hill on the east side of the City of London, and the leasehold interest in a strip of land to the north of the said freehold property. 41 Tower Hill provides approximately 170,000 square feet for office, retail and ancillary uses. Minories Car Park provides approximately 320 car parking spaces.

Set out below is the consolidated financial information of the Target Group for the two years ended 31 December 2017 and 2018:

	For the financial year ended	
	31 December	
	2017	2018
	(unaudited)	(unaudited)
	HK\$	HK\$
Net (loss)/profit before taxation and extraordinary items	(53,475,004.21)	41,252,431.53
Net (loss)/profit after taxation and extraordinary items	(63,561,235.69)	48,445,962.68

Accordingly to the unaudited financial statement of the Target Group as of 31 December 2018, the consolidated total assets and net assets of the Target Group were HK\$1,279,291,656.82 and HK\$92,373,987.39, respectively.

The Target Group's unaudited net profit after taxation and extraordinary items is higher than its unaudited net profit before taxation and extraordinary items for the period ended 31 December 2018 was mainly due to an income tax refund of £670,722.96 in 2018.

LETTER FROM THE BOARD

The apparent turnaround of the Target Group's financials from 2017 to 2018 was only brought about by a change in accounting treatment. While fair market value approach (公允價值法) has all along been adopted by the Group and the Target Group on their investment properties when preparing their financial information, when the relevant parties were negotiating on the 2018 Disposal, costs approach (成本法) was specifically requested by the potential buyer to be used on the Target Group's investment properties (which are the two real estate properties in London as described in the paragraphs headed "Information of the Target Company" below) for presenting its 2017 financial information. Although the Target Group (as subsidiaries of the Company) had accordingly prepared its 2017 financial information using the costs approach (成本法) as requested, the Company, on the other hand, has continued to adopt the fair market value approach (公允價值法) when preparing its consolidated 2017 financial information. In other words, the adoption of the costs approach (成本法) by the Target Group for its 2017 financial information was an one-off exercise which had no impact on, and did not result in any relative change in accounting treatment of, the consolidated financial information of the Company for the financial year ended 31 December 2017. Subsequent to the 2018 Disposal, the Target Group resumed its adoption of the fair market value approach (公允價值法) for its investment properties when preparing the 2018 financials. No material change in the Target Group's actual operation (including rental income) and financial condition has occurred during such period. For the purpose of illustration only, the unaudited consolidated financial information of the Target Group for the year ended 31 December 2017 if prepared based on market value approach (公允價值法) would be as follows:

Net profit before taxation and extraordinary items	HK\$46,957,338.80
Net profit after taxation and extraordinary items	HK\$36,871,107.32

As set out above, the Target Group would have recorded a net profit after taxation and extraordinary items of approximately HK\$36.87 million in 2017 (instead of net loss of approximately HK\$63.56 million) should the fair market value approach (公允價值法) was adopted in 2017 instead of the costs approach (成本法). This is because the costs approach (成本法) took into account the depreciation and amortization costs incurred in respect of the Target Group's investment properties which were deducted from any profits recorded during the relevant period, whereas the fair market value approach (公允價值法) would reflect actual increase in the fair market value of such properties as profits without any deduction of depreciation and amortization costs.

REASONS FOR AND BENEFITS OF THE 2019 DISPOSALS

The Group has always reviewed its zoning plan to achieve better returns for the Shareholders. The Group has determined to strategically focus on its existing assets and fully realise their potential through (i) optimising the sales and operation of its existing assets; and (ii) seeking for funds and partnership (if appropriate).

In view of the foregoing, the Board considers that the 2019 Disposals provide an appropriate opportunity for the Group to realise its investment in the property projects held by the Target Group under the circumstances of Brexit's uncertainties and the dim prospect of the sterling exchange rate. In addition, the proceeds from the 2019 Disposals will enhance the Company's cash flow position and provide additional capital resources for the

LETTER FROM THE BOARD

Company's other invested projects and for the Company to capture other investment opportunities, which is in line with the Company's business strategy of investment-withdrawal and gain-capturing by adopting the "financing, investment, management and withdrawal" approach.

Having regard to the reasons and benefits mentioned above, the Board is of the view that the terms of the 2019 Agreement, which have been reached after arm's length negotiations between the parties, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE 2019 DISPOSALS AND USE OF PROCEEDS

As at the Latest Practicable Date, the Target Company was held as to 70% by Purchaser A and 30% by Purchaser B, and the Company no longer held any interest in the Target Company. The Target Company has ceased to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

Based on (i) the unaudited consolidated net asset value of the Target Group of approximately HK\$92,373,987.39 as at 31 December 2018; (ii) the Sale Loans of £31,759,256.88 as at the date of the 2019 Agreement; and (iii) the consideration attributable to the Sale Shares and the Sale Loans, it is estimated that the Group will achieve a gain before tax of approximately HK\$306,374.07 from the 2019 Disposals, subject to further audit procedures to be performed by the auditor of the Company.

The net proceeds received by the Group from the 2019 Disposals will be applied towards other real estate development projects of the Group and repayment of the outstanding Shareholders' loans of the Company.

LISTING RULES IMPLICATIONS

As the 2018 Agreement and the 2019 Agreement were both entered into by the Seller, Purchaser A and the Target Company, and that the transfer of the 2nd Tranche Sale Shares (as defined in the 2018 Announcement) and the 2nd Tranche Sale Loan (as defined in the 2018 Announcement), which did not proceed to completion pursuant to the 2018 Agreement, is provided for in the 2019 Agreement as the proposed transfer of the 1st Tranche Sale Shares A and the 1st Tranche Sale Loan A, the 2018 Disposal and the 2019 Disposals would be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the 2019 Disposals (as aggregated with the 2018 Disposal) are greater than 25% but less than 75%, the 2019 Disposals constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of 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 2019 Disposals. As such, no Shareholder is required to abstain from voting if a general meeting of the Company were convened to approve the 2019 Disposals. The Company has obtained a written approval from Jiashun in respect of the 2019 Disposals. Pursuant to Rule 14.44 of the

LETTER FROM THE BOARD

Listing Rules, such written approval from Jiashun can be accepted in lieu of holding a general meeting for the purpose of approving the 2019 Disposals. Jiashun holds 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 Latest Practicable Date). Accordingly, no general meeting of the Company will be held for the approval of the 2019 Agreement and the transactions contemplated thereunder.

As Purchaser A was interested as to 48.9% of the equity interest in the Target Company before Completion, Purchaser A was considered as a connected person of the Company at the subsidiary level, and thus Disposal A constitutes a connected transaction of the Company. Pursuant to Rule 14A.101 of the Listing Rules, as:

1. the Board has approved Disposal A and the transactions contemplated thereunder; and
2. the independent non-executive Directors have confirmed that the terms of Disposal A and the transactions contemplated thereunder are fair and reasonable, the transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole,

Disposal A and the transactions contemplated thereunder are exempt from the circular, independent financial advice and Shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A 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 2019 Disposals, and no Director has abstained from voting on the board resolutions approving the 2019 Agreement.

RECOMMENDATION

Although no general meeting will be convened for the purpose of approving the 2019 Agreement and the transactions contemplated thereunder, the Directors (including the independent non-executive Directors) believe that the 2019 Disposals are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were to be convened by the Company, the Directors would have recommended the Shareholders to vote in favour of the 2019 Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the following appendices to this circular:

- | | |
|--------------|------------------------------------|
| Appendix I: | Financial Information of the Group |
| Appendix II: | Property Valuation Report |

LETTER FROM THE BOARD

Appendix III: General Information

Yours faithfully,
On behalf of the Board
SRE Group Limited
Peng Xinkuang
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 together with the relevant notes thereto are disclosed in the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018, respectively, which have been published and are available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.equitynet.com.hk/sre>):

The Annual Report 2016 of the Company for the year ended 31 December 2016 published on 28 April 2017 (pages 68 to 188)

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0428/LTN20170428588.pdf>

The Annual Report 2017 of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 68 to 196)

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN20180427596.pdf>; and

The Annual Report 2018 of the Company for the year ended 31 December 2018 published on 30 April 2019 (pages 88 to 216)

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0430/LTN20190430919.pdf>.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group was as follows:

Borrowings

As at 31 May 2019, being the latest practicable date for this indebtedness statement, the details of the Group's outstanding borrowings were as follows:

		31 May 2019
		<i>RMB'000</i>
Bank borrowings – guaranteed and secured	(a)	875,068
Bank borrowings – secured and unguaranteed	(b)	36,000
Other borrowings – guaranteed and secured	(c)	952,140
Other borrowings – guaranteed and unsecured	(d)	199,000
Other borrowings – unguaranteed and unsecured		<u>1,829,385</u>
Current portion		<u>3,891,593</u>
Bank borrowings – guaranteed and secured	(e)	792,921
Bank borrowings – secured and unguaranteed	(f)	733,970
Bank borrowings – unguaranteed and unsecured		330,120
Other borrowings – unguaranteed and unsecured		<u>1,231,008</u>
Non-current portion		<u>3,088,019</u>
Total		<u>6,979,612</u>

Notes:

- (a) As at the close of business on 31 May 2019, the Group's bank borrowings of approximately RMB875,068,000 were guaranteed by the Company, certain subsidiaries or a joint venture, and secured by the pledges of receivables, leasehold land, investment properties, properties held or under development for sale, property, plant and equipment, and equity interests in a joint venture, which are assets of certain subsidiaries or a joint venture.
- (b) As at the close of business on 31 May 2019, the Group's bank borrowings of approximately RMB36,000,000 were secured by certain bank deposits, receivables and properties held or under development for sale of a subsidiary.
- (c) As at the close of business on 31 May 2019, the Group's other borrowings of approximately RMB952,140,000 were guaranteed by the Company, and secured by the pledges of leasehold land, properties held or under development for sale, investment properties, or equity interests of a subsidiary, which are assets of certain subsidiaries or a joint venture.

- (d) As at the close of business on 31 May 2019, the Group's other borrowings of approximately RMB199,000,000 were guaranteed by the Company and a subsidiary.
- (e) As at the close of business on 31 May 2019, the Group's bank borrowings of approximately RMB792,921,000 were guaranteed by the Company, certain subsidiaries, a connected party, certain third parties and certain individuals, and secured by the pledges of receivables, properties held or under development for sale, investment properties of certain subsidiaries, and bank deposits and assignment of dividends of a connected party.
- (f) As at the close of business on 31 May 2019, the Group's bank borrowings of approximately RMB733,970,000 were secured by the pledges of certain bank deposits, receivables, and properties held or under development for sale of a subsidiary.

Lease liabilities

Our Group has adopted HKFRS 16 for accounting period beginning on or after 1 January 2019. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statement of financial position for accounting period beginning on or after 1 January 2019. As at 31 May 2019, our Group has current and non-current lease liabilities amounted to approximately RMB8 million and RMB4 million respectively.

Contingent liabilities or Guarantees

The Group provides guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the 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 Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB354 million and these contracts were still effective as at the close of business on 31 May 2019.

The Group also provided guarantee to a joint venture of the Group. As at 31 May 2019, the Group provided guarantee totalling approximately RMB3,339 million.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business of the Group, as at the close of business on 31 May 2019, the 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.

The Directors confirmed that there had been no material changes to the indebtedness and contingent liabilities of the Group from 31 May 2019 up to the Latest Practicable Date.

3. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful enquiry, are of the opinion that, after taking into account of (i) the written agreements dated 17 June 2019 with related parties to unconditionally extend the repayment dates of the shareholders' loans, which are due for repayment within one year or payable on demand by lenders, to at least after 20 months from 31 May 2019, (ii) the written agreement date 14 June 2019 with China Minsheng Banking Corporation Limited to extend the repayment dates of the bank loans to 31 January 2020 (iii) the financial resources presently available to the Group; (iv) net cash inflow from operating activities and (v) the timely collection of proceeds from disposals of various assets of the Group including–

- a. the Disposal;
- b. the disposal of Liaoning Gao Xiao Support Group Property Development Co., Ltd as stated in the Company's published announcement dated 11 June 2019;
- c. divestments of certain investments and assets sold in prior years and up to the date of this circular;
- d. further planned divestments of financial assets and properties in the PRC and overseas

and, in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion, with the net proceeds received by the Group from the 2019 Disposals and thus the improvement of the Group's overall financial position, the Group will aim at speeding up the pace of development of the existing real estate development projects and look for new opportunities to grow its business, as well as repay the outstanding Shareholders' loans of the Company.

5. 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 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 May 2019 of the property interests to be disposed of by the Company.



仲量聯行

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公司牌照號碼：C-030171

12 July 2019

The Board of Directors

SRE Group Limited

Suite 1307, 13th Floor
AIA Central
1 Connaught Road
Central
Hong Kong

Dear Sirs,

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**” or “**we**”) is instructed by SRE Group Limited (the “**Company**”) to provide valuation service on two properties (namely 12 Moorgate and 41 Tower Hill) in which Profit Concept Investments Limited (“**Profit Concept Investments**”, an indirect non-wholly owned subsidiary of the Company) has interest in the United Kingdom. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interests as at 31 May 2019 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date 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”.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have valued these properties by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have not carried out any check measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 11 June 2019 by Ms. Elizabeth Levingston. Ms. Elizabeth Levingston is a RICS Registered Valuer and has over 10 years' experience in the valuation of properties in the United Kingdom.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

All monetary figures stated in this report are in Great British Pounds (GBP). The exchange rate adopted in our valuation is approximately GBP1 = HKD9.8977 which was approximately the prevailing exchange rate as at the valuation date.

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert Chan
MRICS MHKIS RPS (GP)
Senior Director

Note: Gilbert Chan is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region and the United Kingdom.

SUMMARY OF VALUES

Property interests held by the Company for investment in the U.K.

No.	Property	Market Value in existing state as at 31 May 2019 <i>GBP</i>
1.	SG House 41 Tower Hill London EC3N4DU The U.K.	88,790,000
2.	12 Moorgate London EC2R6DA The U.K.	37,480,000
	Total:	<u>126,270,000</u>

VALUATION CERTIFICATE

Property interests held by the Group for investment in the U.K.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2019 GBP
1.	SG House 41 Tower Hill London EC3N4DU The U.K.	<p>The property, known as 41 Tower Hill, comprises an office building and a car park building. The office block has 11-storey with a shop on ground floor and basement and nine upper office floors. The office block was completed in the late 1980 while the car park building on the western side of the office which was arranged over basement, ground floor and 3 upper floors was completed in 1960s.</p> <p>The property has a total net internal area of approximately 15,509.00 sq.m.</p> <p>The main portion of the property is held freehold. The land use rights of the remaining portion of the property are held on a lease for a term of 99 years commencing from January 1970.</p>	As advised, the property is currently leased to various independent third parties for office, retail, car park, railway platform and staircase purposes (please see note 3 for details).	88,790,000 (equivalent to HKD878,816,783)

Notes:

- Pursuant to a copy of the Land Registry – title number NGL675314 and NGL 808024, the main portions of the property known as 51 Minorities and Minorities Car Park are held freehold by CMSREU.K. Tower Hill Propco Limited which is a direct wholly-owned subsidiary of the Profit Concept Investments.
- Pursuant to a copy of the Land Registry – title number NGL230646, a portion of land to the northern side of the property, known as the Track Lease, is held on a 99 years lease from January 1970 by CMSREU.K. Tower Hill Propco Limited. Current ground rent is GBP2,660 per annum.

3. Pursuant to 4 Tenancy Agreements, the property is leased to various tenants. The particulars of these Tenancy Agreements are set out as follows:

No.	Use	Net Internal Area (sq.m.)	Tenant	Lease Term		Rent (per annum exclusive)
				From	To	
1	Office	15,486.00	Societe Generale	2016/09/29	2020/03/31	£5,964,035
2	Retail	23.30	Sublet by tenant	-	-	-
3	Car Park	N/A	The Mayor and Commonalty and citizens of the City of London	1985/09/02	2185/09/01	£1
4	DLR Platform Lease	N/A	Docklands Light Railways Limited	1987/04/20	2487/04/29	£0
5	DLR Staircase Lease	N/A	Docklands Light Railways Limited	2003/03/25	2068/12/30	£0

4. The property comprises the office building known as 41 Tower Hill and the adjoining Minories Car Park, immediately to the east. 41 Tower Hill was constructed in the late 1980s. Its construction is in-situ cast reinforced concrete frame and floor slab between substantial concrete columns. It provides 166,940 sq ft (15,509 sq.m.) of office, retail and ancillary accommodation over basement, ground and eight upper floors. The office accommodation is Grade A specified but dated. It is arranged around a central atrium from the third to eighth floors. There is plant on the ninth floor. The basement provides storage accommodation as well as further plant. The property is located in a reasonable but secondary location towards the eastern edge of the City and the EC3 postcode. The EC3 postcode area has traditionally been the focus of the insurance sector.

5. Our valuation has been made on the following basis and analysis:

In our valuation, we have identified and analysed various relevant achieved rental transactions in the locality which have similar characteristics as the subject property such as nature and use. Most of selected comparables are Grade A office in the locality. The transacted unit rent is in a range of GBP40/sq.ft. to GBP64/sq.ft. per annum on Net Internal Area basis. The most relevant evidence is within a range from GBP50/sq.ft. to GBP57.5/sq.ft. per annum. Based on our research on market in the surrounding area of the property, we have identified recent investment evidence which is within a range from 4.5% to 9.38% yield. The most relevant evidence is within a ranged from 4.50% to 6.40% yield as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a equivalent yield of 5.06% as the capitalization rate in the valuation.

6. Our valuation has been allowed renovation cost to be carried out after existing lease expire on 31 March 2020 for the office building with Net Internal Area 15,486 sq.ft. The estimated renovation cost is about GBP260 to GBP320/sq.ft. We have assumed renovation/market and rent free periods will be 3.5 years to 4 years in total after existing lease expire.
7. The valuation of Market Value GBP88,790,000 has not taken into account stamp duty, agent & legal fees.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2019 GBP
2.	12 Moorgate London EC2R6DA The U.K.	<p>The property, known as 12 Moorgate, comprises a 7-storey office building with a basement, which was redeveloped in 1998.</p> <p>The property has a total gross floor area of approximately 3,087.70 sq.m.</p> <p>The property is held freehold.</p>	<p>According to a copy of Lease provided by the Company, the property is subject to Lease for a term from 13 March 2019 to 12 March 2039. Please refer to Note 2.</p>	<p>37,480,000</p> <p>(equivalent to HKD370,965,796)</p>

Notes:

- The registered owner of the property is CMSREU.K. Moorgate Propco Limited which is a direct wholly-owned subsidiary of the Profit Concept Investments.
- Pursuant to a copy Lease dated 13 March 2019 provided by the Company, the Property is leased to a tenant "12 Moorgate Tenant Limited", the Guarantor is "Wework Companies Inc.", for a term from 13 March 2019 to 12 March 2039. The rental term is GBP2,077,307 per annum from 12 December 2019 to 13 March 2024 and GBP2,159,091 per annum from 13 March 2024 to 12 March 2039.
- 12 Moorgate was redeveloped in 1998 behind a retained period façade. It is of reinforced concrete and steel frame construction. The property forms a self-contained office building, extending to 33,235 sq ft (3,087.7 sq m) arranged over basement, ground and six upper floors. The property has natural stone elevations from ground to fourth floor levels, steel framed, glazed elevations to the fifth and sixth floors, and a flat roof. The property is situated on Moorgate, a major thoroughfare within the core of the City of London, and occupies a prominent corner position. The property is situated circa 150 metres to the north of the Bank of England at Bank junction, a road junction at which a number of key streets meet, which is typically considered to be the heart of the City.
- The property is currently being refurbished by the tenant through the landlord's payment of Category A and Category B contributions. The Category A contribution will cover the internal comprehensive refurbishment of the building, including the replacement of the passenger lifts and the installation of new air conditioning, WCs, LED lighting and raised floors. The Category B contribution will cover the tenant's fit out to create a serviced office environment. Part of the tenant's works include installing a staircase between the basement and ground floor levels. According to copy of the agreement for lease dated 19 March 2019 signed between "CMSREU.K. Moorgate Propco Limited", the landlord and "12 Moorgate Tenant Limited", the tenant, there is a minimum commitment of GBP2,658,800 and a maximum commitment by the landlord of GBP3,323,500 for Category A capital contribution. For Category B, capital contribution is GBP3,271,350.
- Our valuation has been made on the following basis and analysis:

In our valuation, we have identified and analysed various relevant achieved rental transactions in the locality which have similar characteristics as the subject property such as nature and use. Most of selected comparables are Grade A office in the locality. The transacted unit rent is in a range of mid GBP60/sq.ft. to mid GBP70/sq.ft. per annum on Net Internal Area basis. Based on our research on market in the surrounding area of the property, we have identified recent investment evidence which is in a range from 4.25% to 5.00% yield as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a initial yield of 4.4% as the capitalization rate in the valuation.

6. Our valuation has taken into account cost contribution to be borne by vendor for Category A and Category B under Agreement to Lease as mentioned in the above note 4.
7. The valuation of Market Value GBP37,780,000 has not taken into account stamp duty, agent & legal fees.

1. 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.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive 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 were 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 and underlying Shares

Name of Director	Personal interests	Family interests	Total	Approximate percentage of shareholding
Peng Xinkuang	112,000,000 <i>(Note 1)</i>	–	112,000,000	0.54%
Zhu Qiang	84,000,000 <i>(Note 1)</i>	–	84,000,000	0.41%
Qin Wenying	84,000,000 <i>(Note 1)</i>	–	84,000,000	0.41%
Chen Donghui	56,000,000 <i>(Note 1)</i>	–	56,000,000	0.27%
Zhuo Fumin	–	160,000 <i>(Note 2)</i>	160,000	0.0008%

Note:

- (1) This refers to the underlying Shares covered by share options granted, such options being unlisted physically settled equity derivatives.
- (2) These Shares were held by Madam He Pei Pei, the spouse of Mr. Zhuo Fumin.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporation(s) (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.

(ii) 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 Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in 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 interested in	Approximate percentage of shareholding
China Minsheng Investment Corp., Ltd.	Interest in controlled corporation	15,419,951,128 (Note 1, 3 & 4)	74.98%
China Minsheng Jiaye Investment Co., Ltd.	Interest in controlled corporation	15,419,951,128 (Note 1, 3 & 4)	74.98%
Jiixin Investment (Shanghai) Co., Ltd.	Interest in controlled corporation	12,500,000,000 (Note 1 & 4)	60.78%
Jiasheng (Holding) Investment Limited	Interest in controlled corporation	12,500,000,000 (Note 1 & 4)	60.78%
Jiashun (Holding) Investment Limited	Beneficial owner and interest in controlled corporation	12,500,000,000 (Note 1 & 4)	60.78%
Shi Jian	Beneficial owner and interest in controlled corporation	2,902,666,119 (Note 2, 3 & 4)	14.11%

Name of Shareholder	Capacity	Number of issued ordinary shares interested in	Approximate percentage of shareholding
Si Xiao Dong	Beneficial owner and interest in controlled corporation	2,889,661,452 (Note 2, 3 & 4)	14.05%
SRE Investment Holding Limited	Beneficial owner and interest in controlled corporation	2,889,659,128 (Note 2, 3 & 4)	14.05%
Regal Glory Limited	Interest in controlled corporation	2,022,761,390 (Note 4)	9.84%
Starite International Limited	Interest in controlled corporation	2,022,761,390 (Note 4)	9.84%
Sun Lu Dong	Nominee for another person (other than a bare trustee)	2,022,761,390 (Note 4)	9.84%
Pau Shing Kwan	Nominee for another person (other than a bare trustee)	2,022,761,390 (Note 4)	9.84%
Jiaye (International) Ascendas Investment Limited	Interest in controlled corporation	2,889,659,128 (Note 3 & 4)	14.05%
Jiabo Investment Limited	Interest in controlled corporation	2,889,659,128 (Note 3 & 4)	14.05%
Jia Yun Investment Limited	Interest in controlled corporation and person having a security interest in shares	2,889,659,128 (Note 3 & 4)	14.05%
Jiazhi Investment Limited	Interest in controlled corporation	2,022,761,390 (Note 4)	9.84%
Zhi Tong Investment Limited Partnership	Beneficial owner	2,022,761,390 (Note 4)	9.84%

Note:

- (1) China Minsheng Investment Corp., Ltd. holds a 67.45% 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 Jiasheng (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 purposes of the SFO.

- (2) These Shares comprise 13,006,991 Shares held by Mr. Shi Jian, 2,324 Shares held by Madam Si Xiao Dong and 2,889,659,128 Shares interested in by SRE Investment Holding Limited. As each of Mr. Shi Jian and Madam Si Xiao Dong owns 33% or more of SRE Investment Holding Limited, they are deemed to be interested in all the Shares interested in by SRE Investment Holding Limited for the purposes of the SFO.
- (3) 866,897,738 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 Jia Yun Investment Limited (in which China Minsheng Investment Corp., Ltd., China Minsheng Jiaye Investment Co., Ltd., Jiaye (International) Ascendas Investment Limited and Jiabo Investment Limited are deemed to be interested). SRE Investment Holding Limited retains the voting rights of such 866,897,738 Shares.
- (4) Pursuant to a sale and purchase agreement dated 28 December 2017 entered into by, among others, SRE Investment Holding Limited and Zhi Tong Investment Limited Partnership, SRE Investment Holding Limited agreed to sell to Zhi Tong Investment Limited Partnership 2,022,761,390 Shares. Jiazhi Investment Limited is a general partner of Zhi Tong Investment Limited Partnership, and is held as to 60% by Jia Yun Investment Limited and 40% by Starite International Limited. Jia Yun Investment Limited is also a limited partner of Zhi Tong Investment Limited Partnership. Jia Yun Investment Limited is wholly-owned by Jiabo Investment Limited, which was in turn wholly-owned by Jiashun (Holding) Investment Limited. On 24 April 2019, all the shares held by Jiashun (Holding) Investment Limited in Jiabo Investment Limited were transferred to Jiaye (International) Ascendas Investment Limited. Jiaye (International) Ascendas Investment Limited is an indirect wholly-owned subsidiary of China Minsheng Investment Corp., Ltd. and a direct wholly-owned subsidiary of China Minsheng Jiaye Investment Co., Ltd. On the other hand, Starite International Limited is wholly-owned by Mr. Pau Shing Kwan (as nominee for and on behalf of Regal Glory Limited); and Regal Glory Limited is in turn wholly-owned by Mr. Sun Lu Dong (as nominee for and on behalf of SRE Investment Holding Limited). Therefore, China Minsheng Investment Corp., Ltd., China Minsheng Jiaye Investment Co., Ltd., Jiaye (International) Ascendas Investment Limited, Jiabo Investment Limited, Jia Yun Investment Limited, Mr. Shi Jian, Madam Si Xiao Dong, SRE Investment Holding Limited, Mr. Sun Lu Dong, Regal Glory Limited, Mr. Pau Shing Kwan, Starite International Limited and Jiazhi Investment Limited are all deemed to be interested in the 2,022,761,390 Shares held by Zhi Tong Investment Limited Partnership for the purposes of the SFO.

(iii) 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. Peng Xinkuang, an executive Director, was the Chairman of China Minsheng Jiaye Investment Co., Ltd.; (ii) Mr. Zhu Qiang, an executive Director, was the Vice President 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.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date:

- (i) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (ii) none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholders or any of their respective associates had engaged in any business or had any interest that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

6. EXPERT'S CONSENT AND QUALIFICATIONS

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
JLL	independent property valuer

JLL has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and valuation report dated 12 July 2019 and the references to its names included herein in the form and context in which it is respectively included.

The expert 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 2018 (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 Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance which were pending or threatened against any members of the Group.

8. 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:

- (i) an entrustment agreement dated 4 December 2017 entered into between Zhongtong Wanfang Construction and Development (Zhangjiakou) Co., Ltd. (an indirect non-wholly owned subsidiary of the Company), as the trustee, and the People's Government of Qiaoxi District, Zhangjiakou City, Hebei Province, the PRC, as the client, pursuant to the trustee's implementation of the land redevelopment procedures for the land parcel with a site area of approximately 143,333 m² in Beiwapenyao, Qiaoxi District, Zhangjiakou City, Hebei Province, the PRC with capital commitment of RMB270 million, further details are set out in the announcement of the Company dated 4 December 2017;
- (ii) a termination agreement dated 9 February 2018 entered into between the Company, for and on behalf of itself and its subsidiaries, China Minsheng Jiaye Investment Co., Ltd., SRE Investment Holding Limited and Madam Si Xiao Dong, pursuant to which each of the parties agreed to terminate the subscription agreement dated 9 October 2015 entered by the Company and China Minsheng Jiaye Investment Co., Ltd. and the undertaking dated 3 November 2015 entered into between SRE Investment Holding Limited and Madam Si Xiao Dong in favour of the Group, further details are set out in the announcement of the Company dated 9 February 2018;
- (iii) a loan receivable transfer agreement dated 19 April 2018 entered into between SRE Jiaye Real Estate Development (Shanghai) Co., Ltd., an indirect wholly-owned subsidiary of the Company, and Shanghai Dai Yong Industrial Co., Ltd., pursuant to which SRE Jiaye Real Estate Development (Shanghai) Co., Ltd. agreed to sell, and Shanghai Dai Yong Industrial Co., Ltd. agreed to acquire, the loan receivables at the consideration of RMB330,000,000, further details are set out in the announcement of the Company dated 19 April 2018;

- (iv) a sale and purchase agreement dated 3 May 2018 entered into between Sinopower Investment Limited (a direct wholly-owned subsidiary of the Company), Ronghe International Group Limited (a then independent third party) and Profit Concept Investments Limited (a then indirect wholly-owned subsidiary of the Company), pursuant to which Sinopower Investment Limited agreed to sell, and Ronghe International Group Limited agreed to purchase, 50% of the total issued share capital of Profit Concept Investment Limited and 50% of the total outstanding shareholder loan then due from Profit Concept Investment Limited to Sinopower Investment Limited for a total consideration of approximately £29,475,967.30, further details are set out in the announcement of the Company dated 3 May 2018;
- (v) a capital injection agreement dated 15 May 2018 entered into between Shangzhi Asset Management (Shanghai) Co., Ltd. (a connected person of the Company at the subsidiary level), Shanghai Yidong Investment Management Co., Ltd. (an indirect wholly owned subsidiary of the Company), the Company and Shanghai Lake Malaren Hospital Investment Co., Ltd. (an indirect non-wholly owned subsidiary of the Company), pursuant to which Shangzhi Asset Management (Shanghai) Co., Ltd. has agreed to contribute RMB150 million to the registered capital of Shanghai Lake Malaren Hospital Investment Co., Ltd., further details are set out in the announcements of the Company dated 15 May 2018 and 4 June 2018;
- (vi) a sale and purchase agreement dated 28 June 2018 entered into by Shanghai Jinxin Real Estate Co., Ltd. (a non-wholly owned subsidiary of the Company) and Shanghai Xiangfu Real Estate Development Co., Limited (a connected person of the Company), pursuant to which Shanghai Xiangfu Real Estate Development Co., Limited agreed to sell and Shanghai Jinxin Real Estate Co., Ltd. agreed to purchase 33 units of relocation and resettling properties situated at 2,289 Wan Yuan Road, Minhang District, Shanghai, with a total gross floor area of 2,547.04 square meters, at the purchase price of RMB127,554,308.37 for the purpose of relocating and resettling the incumbent residents affected by the development of the Daxing Project by Shanghai Jinxin Real Estate Co., Ltd., further details are set out in the announcement of the Company dated 28 June 2018;
- (vii) a sale and purchase agreement dated 5 December 2018 entered into by Shanghai Oasis Garden Real Estate Co., Ltd. (a subsidiary of the Company), China Aviation Trust Co., Ltd. and a limited partnership enterprise (the “**Joint Venture**”), pursuant to which Shanghai Oasis Garden Real Estate Co., Ltd. agreed to sell and China Aviation Trust Co., Ltd. agreed to purchase the limited partnership interest of RMB500 million in the Joint Venture at a consideration of RMB500 million, further details are set out in the announcement of the Company dated 5 December 2018;
- (viii) the 2019 Agreement; and

- (ix) a sale and purchase agreement dated 11 June 2019 entered into by Konmen Investment Limited and Shenyang Luyi Hotel Management Co., Ltd. (both being indirect wholly-owned subsidiaries of the Company), Shanghai Ya Luo Enterprise Management Partnership (Limited Partnership), Hong Kong Chong Dei Company Limited, Shenyang Ruiguang Trading Co., Ltd and Liaoning Gao Xiao Support Group Property Development Co., Ltd., pursuant to which Konmen Investment Limited, Shenyang Luyi Hotel Management Co., Ltd. and Shanghai Ya Luo Enterprise Management Partnership (Limited Partnership) agreed to sell and Hong Kong Chong Dei Company Limited and Shenyang Ruiguang Trading Co., Ltd agreed to purchase, the 100% equity interest of Liaoning Gao Xiao Support Group Property Development Co., Ltd. at a consideration of RMB1,150 million, and that Hong Kong Chong Dei Company Limited and Shenyang Ruiguang Trading Co., Ltd also agreed to repay the loans owed to Konmen Investment Limited, Shenyang Luyi Hotel Management Co., Ltd. and a controlling Shareholder of the Company, further details are set out in the announcement of the Company dated 11 June 2019.

9. GENERAL

- (i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the Company's head office and principal place of business in Hong Kong is at Suite 1001, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong.
- (ii) 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.
- (iii) 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.
- (iv) The company secretary of the Company is Mr. Chu Hoe Tin, who is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Chartered Secretaries.
- (v) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

10. 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 1001, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong from the date of this circular up to and including 26 July 2019 (being not less than 14 days from the date of this circular):

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

- (ii) the annual reports of the Company for each of the three years ended 31 December 2016, 2017 and 2018;
- (iii) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (iv) the property valuation report from JLL, the text of which is set out in Appendix II to this circular;
- (v) the consent letter referred to in the paragraph headed “Expert’s Consent and Qualifications” in this appendix; and
- (vi) this circular.