THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **SRE Group Limited**, you should at once hand this circular with the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF TARGET COMPANY; (2) RE-ELECTION OF DIRECTOR AND (3) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

建泉融資有限公司
VBG Capital Limited

A letter from the Board is set out on pages 7 to 26 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on page 27 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 45 of this circular.

A notice convening the Special General Meeting of the Company to be held at Admiralty Conference Centre, Room 1804A, 18th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 13 August 2019 at 2:30 p.m. is set out on pages SGM-1 to SGM-3 of this circular. A proxy form for use at the Special General Meeting is also enclosed with this circular. Whether or not you are able to attend the Special General Meeting, please complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen Road East, Hong Kong as soon as practicable, but in any event not less than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Special General Meeting or any adjournment thereof if you so wish and, in such event, the instrument appointing a proxy will be deemed to be revoked.

* *For identification purposes only*

25 July 2019

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

"Board"	the board of Directors
"Business Day"	any day (other than a Saturday or Sunday or general public holiday) on which banks open for general business in PRC
"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 Account"	the management accounts of the Target Company to be prepared by its management and audited by an independent third-party auditor and comprising the following information in respect of the Target Company as at the Completion Date: (i) Assets and liabilities; (ii) Amount of estimated land value taxes/rebates payable in respect of Phase IIA and IIB of the Target Project
"Completion Date"	the date on which the procedures of change of business registration for the transfer of the Sale Shares to the Purchasers are complete and the Target Company obtains a new business license
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the SRE Sale Shares by the SRE Vendors to the Purchasers and the transactions contemplated thereunder pursuant to the Sale and Purchase Agreement
"Final Confirmation of Liabilities"	an agreement to be entered into between the SRE Vendors and the Purchasers, pursuant to which the contents of the Completion Account shall be agreed for the purpose of confirming the amount of liabilities of the Target Company at Completion, including but not limited to the amount of the Other Liabilities (excluding the Related Loan and the amount confirmed in stage 3 payment as stipulated in Note 1 in the paragraph headed "Consideration" in the section headed "Letter from the Board" in this circular)
"General Contractor Contract"	an agreement entered into between the Target Company and NT2C as general contractor, in respect of the development of the Target Project
"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
"Hua Rong"	中國華融資產管理股份有限公司上海分公司 (China Huarong Asset Management Co., Ltd. Shanghai Branch*)
"Hua Rong Loan"	has the meaning ascribed to it in the paragraph headed "Release of guarantee and charge over land" in the section headed "Letter from the Board" in this circular
"Independent Board Committee"	the independent board committee of the Company established by all the independent non-executive Directors to advise the independent Shareholders on the terms of the Sale and Purchase Agreement
"Independent Financial Adviser" or "VBG"	VBG Capital Limited, a corporation licensed under the SFO to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Sale and Purchase Agreement
"Independent Shareholders"	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Third Party"	an independent third party not connected with the Company or its connected persons (as defined in the Listing Rules)
"Land"	the plot of land located at South Street East, Heping District, Shenyang, the PRC
"Latest Practicable Date"	23 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"NT2C"	江蘇南通二建集團有限公司 (Jiangsu Nantong No. 2 Construction Engineering (Group) Co., Ltd), a company established in the PRC with limited liability

"Other Liabilities"	the net amount of all liabilities of the Target Company excluding the Shareholder Loan minus the Target Company's assets except inventory and land, which amounted to approximately RMB574.84 million as at 30 April 2019
"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 1"	Hong Kong Chong Dei Company Limited (香港創地有限公司), a company incorporated in Hong Kong with limited liability
"Purchaser 2"	瀋陽瑞光貿易有限公司 (Shenyang Ruiguang Trading Co., Ltd.*), a company established in the PRC with limited liability
"Purchasers"	collectively, Purchaser 1 and Purchaser 2
"Related Lender"	China Minsheng Jiaye Investment Co., Ltd, a controlling shareholder of the Company
"Related Loan"	the loan and the related interest owing to the Related Lender by the Target Company, which amounted to approximately RMB269.79 million as at 30 April 2019
"Release"	has the meaning ascribed to it in the paragraph headed "Release of guarantee and charge over land" in the section headed "Letter from the Board" in this circular
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	an agreement dated 11 June 2019 and entered into among the Vendors, the Purchasers and the Target Company in relation to the Disposal
"Sale Shares"	100% equity interest of the Target Company held by the Vendors and the related shareholders' right in the Target Company (as to 70% held by Vendor 1, 27.5% held by Vendor 2 and as to 2.5% held by Vendor 3)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	a special general meeting of the Company convened to be held at Admiralty Conference Centre, Room 1804A, 18th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 13 August 2019 at 2:30 p.m. for the purposes of, among other matters, considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder, the notice of which is set out on pages SGM-1 to SGM-3 of this circular
"Shanghai Oasis"	Shanghai Oasis Garden Real Estate Co., Ltd.* (上海綠洲花園置業有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
"Shareholder Loan"	the total outstanding loan due from the Target Company to the Group, which amounts to approximately RMB135,156,907.30 as at 30 April 2019
"Shareholders"	registered holders of the Shares from time to time
"Shares"	ordinary shares of HK$0.10 each in the capital of the Company
"SRE Sale Shares"	97.5% equity interest of the Target Company held by the SRE Vendors and the related shareholders' right in the Target Company (as to 70% held by Vendor 1 and 27.5% held by Vendor 2)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	遼寧高校後勤集團房地產開發有限公司 (Liaoning Gao Xiao Support Group Property Development Co., Ltd.*), a company established in the PRC with limited liability, a 97.5%-owned subsidiary of the Company as at the Latest Practicable Date
"Target Land"	Phases IIIB and IIIC of the Land
"Target Project"	the real estate project of Shenyang Albany Garden on the Land, including all construction, construction in progress and inventory
"Termination Agreement"	an agreement to be entered into between the Target Company and NT2C, pursuant to which: (i) the General Contractor Contract shall be terminated;

(ii) the Target Company shall settle all matters relating to the exit of NT2C from the Target Land, including confirmation of all outstanding amount due to NT2C pursuant to the General Contractor Contract for which NT2C shall issue value-added tax invoices which are in compliance with all relevant laws and regulations;

(iii) the conditions for NT2C to exit the Target Land shall be set out;

(iv) NT2C shall pass all information pertaining to the Target Project on the Target Land to the Target Company and terminate the agreement on project quality monitoring with relevant government departments

"Tri-Party Agreement"	an agreement to be entered into among the (1) Vendors, the Target Company and Shanghai Oasis; (2) the Purchasers and their parent company (if applicable); and (3) Hua Rong after the Sale and Purchase Agreement has been signed but before the Target Company has completed the change of business registration, pursuant to which: (i) the Purchasers shall repay, or alternatively assume Hua Rong RMB398 million in settlement of the Hua Rong Loan to effect the Release; (ii) the payment of RMB398 million pursuant to the Tri-Party Agreement shall be deducted from the consideration for the Sale Shares payable by the Purchasers
"V2 Designated Account"	the account designated by Vendor 2 to receive payments from the Purchasers on behalf of Vendor 1 and Vendor 2 pursuant to the Sale and Purchase Agreement
"V2 Joint Account"	an account to be jointly opened by Purchaser 2 and Vendor 2 under the latter's name and to be jointly administered by Purchaser 2 and Vendor 2 within 5 Business Days of the signing of the Sale and Purchase Agreement
"V3 Joint Account"	an account to be jointly opened by Purchaser 2 and Vendor 3 under the latter's name and to be jointly administered by Purchaser 2 and Vendor 3 within 5 Business Days of the signing of the Sale and Purchase Agreement
"V3 Sale Shares"	2.5% equity interest of the Target Company held by Vendor 3
"Valuer" or "JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer

"Vendor 1"	Konmen Investment Limited (康明投資有限公司), a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company which holds 70% interests in the Target Company as at the Latest Practicable Date
"Vendor 2"	瀋陽綠怡酒店管理有限公司 (Shenyang Luyi Hotel Management Co., Ltd.*), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company which holds 27.5% interests in the Target Company as at the Latest Practicable Date
"Vendor 3"	上海亞羅企業管理合夥企業(有限合夥) (Shanghai Ya Luo Enterprise Management Partnership (Limited Partnership)*), an Independent Third Party which holds 2.5% interests in the Target Company as at the Latest Practicable Date
"Yango Group"	陽光城集團股份有限公司 (Yango Group Co Ltd.) (a company listed on the Shenzhen Stock Exchange (stock code: 000671))
"%"	per cent.

In this circular, unless otherwise indicated, the respective exchange rate of HKD1.00 = RMB0.8695 has been used for the purpose of illustration only.

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

Board of Directors:
Mr. Peng Xinkuang
(Chairman and Chief Executive Officer)
Mr. Chen Donghui
Mr. Zhu Qiang
Ms. Qin Wenying
Mr. Jiang Qi
Ms. Jiang Chuming
Mr. Zhuo Fumin*
Mr. Chan, Charles Sheung Wai*
Mr. Ma Lishan*
Mr. Han Gensheng*

* *independent non-executive Directors*

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

25 July 2019

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF TARGET COMPANY AND (2) RE-ELECTION OF DIRECTOR

INTRODUCTION

Reference is made to the announcement of the Company dated 11 June 2019 in relation to the Disposal.

The purpose of this circular is to provide you with (i) details of the Sale and Purchase Agreement and the Disposal; (ii) the financial information of the Group; (iii) other information as required to be disclosed under the Listing Rules; (iv) details of re-election of Director; and (v) the notice convening the SGM.

* *For identification purpose only*

MAJOR TRANSACTION AND CONNECTED TRANSACTION

On 11 June 2019, the Vendors, the Purchasers and the Target Company entered into the Sale and Purchase Agreement, pursuant to which (i) the Vendors agreed to sell, and the Purchasers agreed to purchase, the 100% equity interest of the Target Company for an aggregate price of RMB1,150 million (for which RMB1,121.25 million is for the SRE Sale Shares and the remaining is for the V3 Sale Shares); and (ii) the Purchasers have agreed to pay to SRE Vendors the Shareholder Loan in the amount of approximately RMB135.16 million, the principal terms of which are set out below:

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Date:

11 June 2019 (after trading hours)

Parties:

(i)	SRE Vendors:	Konmen Investment Limited (康明投資有限公司) (i.e. Vendor 1) and 瀋陽綠怡酒店管理有限公司 (Shenyang Luyi Hotel Management Co., Ltd.*) (i.e. Vendor 2) SRE Vendors are indirect wholly-owned subsidiaries of the Company and are investment holding company
	Vendor 3:	上海亞羅企業管理合夥企業(有限合夥) (Shanghai Ya Luo Enterprise Management Partnership (Limited Partnership)*)
(ii)	Purchasers:	Hong Kong Chong Dei Company Limited (香港創地有限公司) (i.e. Purchaser 1) and 瀋陽瑞光貿易有限公司 (Shenyang Ruiguang Trading Co., Ltd.*) (i.e. Purchaser 2); and
(iii)	Target Company:	遼寧高校後勤集團房地產開發有限公司 (Liaoning Gao Xiao Support Group Property Development Co., Ltd.*) As at the date of the Sale and Purchase Agreement, the Target Company is owned as to 97.5% by SRE Vendors and as to 2.5% by the Vendor 3

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor 3 and its ultimate beneficial owners is an Independent Third Party and the principal business of the Vendor 3 is investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchasers are wholly-owned subsidiaries of Yango Group whose principal business is property development and commodity trading; and (ii) the principal business of Purchaser 1 and Purchaser 2 is investment holding; (iii) as at the Latest Practicable Date, a 50%-owned company of China Minsheng Jiaye Investment Co., Ltd (a controlling shareholder of the Company) holds approximately 17.7976% of the issued shares of Yango Group; (iv) a 2%-shareholder of the controlling shareholder of China Minsheng Jiaye Investment Co., Ltd (a controlling shareholder of the Company) holds approximately 10.17% of the issued shares of Yango Group; and (v) the Company and Yango Group has one common director. Save as disclosed above, each of Yango Group, the Purchasers and their respective ultimate beneficial owners is an Independent Third Party.

Subject matter

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendors agreed to sell and the Purchasers agreed to purchase the Sale Shares (i.e. 100% equity interests of the Target Company).

Consideration

The aggregate price of the Sale Shares is RMB1,150 million (for which RMB1,121.25 million is for the SRE Sale Shares payable to the SRE Vendors and the remaining is for the V3 Sale Shares payable to Vendor 3). The Purchasers have also agreed to pay to the SRE Vendors the Shareholder Loan in the amount of approximately RMB135.16 million.

The Other Liabilities of the Target Company to be borne by the Purchasers is approximately RMB574.84 million (subject to final confirmation by the parties after Completion Date). The Other Liabilities included the Related Loan in the amount of approximately RMB270 million. The Related Loan was provided by China Minsheng Jiaye Investment Co., Ltd, a controlling shareholder of the Company (i.e. the Related Lender) to the Target Company as its working capital. As at 30 April 2019, the principal amount is approximately RMB258 million and the interest payable is approximately RMB12 million.

Summary of payment

Set out below is a summary of payment by the Purchasers:

Stage *(Note i)*	**Attributable to the Group (i.e. Sale Shares and Shareholder Loan)** *(Approximate RMB million)*	**Attributable to V3 Vendor (i.e. V3 Sale Shares)** *(Approximate RMB million)*	**Other Liabilities (including the Related Loan)** *(Approximate RMB million)*	**Total** *(Approximate RMB million)*
Before or on Completion Date				
Stage 1A	150	—	—	150
Stage 1B	351	29	270	650
Stage 2	398 *(Note ii)*	—	—	398
Sub-total:	899	29	270	1,198
After Completion Date				
Stage 3 *(Note iii)*	60	—	240	300
Stage 4	135 *(Note iv)*	—	65	200
Stage 5	162	—	—	162
Sub-total:	357	—	305	662
Total:	**1,256**	**29**	**575**	**1,860**

Notes:

i. Please refer to table set out in the paragraph headed "Conditions to payment" below for the conditions to and timing of different stages of payment.

ii. This sum will be used for repayment of Hua Rong Loan. Please refer to the paragraph headed "Release of guarantee and charge over land" below for further details. In case the amount of Hua Rong Loan reduces before Purchasers' payment, it will not affect the total consideration attributable to the Group and such difference (i.e. the difference between RMB398 million and the actual amount of Hua Rong Loan at payment) will be paid to the Group directly. In such case, the parties will enter into separate agreement to confirm such arrangement.

iii. The amount of RMB240 million is for the best estimation of maximum amount of the parties for the completion of the obligations to terminate the General Contractor Contract and settle the amount due under the said contract and complete all demolition and relocation works within the Target Land ("**Stage 3 Conditions**"). The amount attributable to the Group in this stage represents the difference between RMB300 million and the final amount of used in Stage 3 Conditions. Please refer to Note 1 to the paragraph headed "Conditions to payment" below for further details of the Stage 3 Conditions.

iv. The income tax payable by Vendor 1 is included in this RMB135 million which will be withheld and paid by the Target Company. Please refer to Note 2 to the paragraph headed "Conditions to payment" below for further details.

Conditions to payment

Set out below is a summary of conditions to and payment date of the payment in different stages:

Stage	Date of payment	Amount	Method of payment	Remarks
1A	3 Business Days from the date of the Sale and Purchase Agreement	RMB150,000,000 (as deposit of the SRE Sale Shares	Pay to V2 Designated Account	Apply as payment of the purchase price of the SRE Sale Shares after the Sale and Purchase Agreement becomes effective
1B	According to the payment instruction of Vendor 2 (subject to all necessary procedures in relation to the Disposal having been completed in accordance with the Listing Rules and requirements of the Securities and Futures Commission, and after the shareholder's meeting in respect of the Sale and Purchase Agreement and the Disposal has been passed); the repayment of the Related Loan further subject to the Target Company and the Related Lender reaching an agreement to designate an account for receipt of the repayment sum and issuing payment instruction accordingly	RMB650,000,000, comprising (i) RMB341,250,000 (as purchase price of the SRE Sale Shares) (ii) RMB28,750,000 (as purchase price of the V3 Sale Shares) (iii) the repayment of the Related Loan to the Related Lender (iv) the remaining for the payment of the Shareholder Loan	(i) Pay to V2 Joint Account (ii) Pay to V3 Joint Account (iii) Pay to account designated by the Related Lender (iv) Pay to V2 Joint Account	Within 10 days of stage 1B payment, the parties shall cause the Purchasers to become the registered shareholder of the Target Company at the relevant State Administration for Market Regulation. On the Completion Date, the Vendors and the Purchasers shall, if applicable, arrange for the funds in the V2 Joint Account; the V3 Joint Account and the account designated by the Related Lender to be released.

Stage	Date of payment	Amount	Method of payment	Remarks
2	Before the relevant documents for changing the registered shareholder of the Target Company are submitted to the relevant State Administration for Market Regulation	RMB398,000,000 (as purchase price of the SRE Sale Shares)	For repayment of Hua Rong Loan pursuant to the Tri-Party Agreement. Please refer to the paragraph headed "Release of guarantee and charge over land" below.	
3	After Completion Date but within 5 days after confirmation of the deductions stipulated in Note 1 below	RMB300,000,000 (Subject to deduction as set out in Note 1)	Pay to V2 Designated Account or such other account as agreed in the Sale and Purchase Agreement	
4	Within 5 Business Days after the signing of Final Confirmation of Liabilities (which should be agreed within 1 month after the issue of the Completion Account) *(Note 3)*	RMB200,000,000 (less the profit tax in connection the Disposal payable by Vendor 1 and the remaining amount of Other Liabilities (excluding Related Loan which has been paid in Stage 1B) if such amount has not been deducted from stage 3 payment) *(Note 2)*	Pay to V2 Designated Account	
5	Within 5 Business Days after (i) the conditions in respect of payment stages 1A, 1B, 2, 3 and 4 have been met; and (ii) the Target Company having obtained First Phase Construction Permit in respect of the Target Land	RMB162,000,000	Pay to V2 Designated Account	

The Other Liabilities of the Target Company mainly originated from the existing contracts and obligations of the Target Company, including the liabilities under the General Contractor Contract and the demolition work on the Target Land. In the event the Purchasers' due diligence review of the Target Company discloses a further change of Other Liabilities, the Purchasers and the Vendors shall adjust the aggregate price of the Sale Shares accordingly so as not to affect the final amount of the consideration.

On or before Completion Date, out of approximately RMB1,256.41 million of purchase price attributable to the Group (comprising RMB1,121.25 million (SRE Sale Shares) and RMB135.16 million (Shareholder Loan), the Group will have received a significant portion of purchase price of approximately RMB899.46 million (from stage 1 and stage 2 payment). The outstanding payment of purchase price is approximately RMB356.95 million. It is estimated that the payment of the remaining amount will be completed within not more than 4 months after Completion Date.

Notes:

1. Within 30 calendar days after the Completion Date, the Purchasers and SRE Vendors shall cause the Target Company to enter into the Termination Agreement with NT2C. The parties agreed that the Target Land shall be sold on the basis that it is ready for development, i.e. the demolition and relocation work is finished and the existing General Contractor Contract is terminated. Therefore, the Company is responsible for procuring the termination of the General Contractor Contract and the completion of the demolition and relocation work and the payment of portion of purchase price is subject to the completion of these events and the Company shall be responsible for the excess amount. The negotiation on the termination of the General Contractor Contract is in final stage and the demolition and relocation work are in progress already. The Group has reasonably assessed the amount involved in the termination of the General Contractor Contract and the completion of the demolition and relocation work and considered that there will not be material deviation from the agreed amount.

   The Purchasers shall settle the amount due to NT2C under the Termination Agreement. This amount shall be deducted from stage 3 payment. Provided that the Purchasers or the Target Company has not contributed to any delays to enter into the Termination Agreement, the Purchasers shall be entitled to deduct from stage 3 payment any extra amount incurred by the Target Company to NT2C if the Termination Agreement is not agreed within the 30 calendar days and the Purchasers have to take over conduct of the Termination Agreement.

   Within 3 months after the Completion Date, SRE Vendors shall complete all demolition and relocation works within the Target Land. All compensation and agreements to be paid or entered into by the Target Company in connection with the demolition and relocation shall first be agreed by the Purchasers and SRE Vendors and shall be settled by the Purchasers. This amount shall be deducted from stage 3 payment and any remaining amount shall be paid to V2 Designated Account. Provided that the Purchasers or the Target Company has not contributed to any delays to the demolition works, the Purchasers shall be entitled to deduct from stage 3 payment any extra amount incurred by the Target Company if the Purchasers have to take over conduct of the demolition works.

   In the event the total amount of deductions above exceeds the amount of stage 3 payment, SRE Vendors shall be responsible for the shortfall and the Purchasers reserve the right to deduct the same from subsequent stages of payment to the SRE Vendors.

2. Under the PRC tax laws, if the buyer and seller of a PRC company are both overseas companies, the tax payable by the seller arising from the sale of the PRC company shall be withheld and paid by the PRC target company.

   In the light of the foregoing, Vendor 1 and the Purchasers shall cause the income tax return of Vendor 1 to be filed with the government of PRC within 1 month after the Completion Date, and the income tax payable by Vendor 1 shall be withheld by the Purchasers or the Target Company and this amount shall be deducted from stage 4 payment.

3. The Vendors and the Purchasers shall cause the Completion Account to be compiled within 2 months after the Completion Date. The SRE Vendors and the Purchasers shall sign the Final Confirmation of Liabilities within 1 month of the date of the Completion Account, and such agreement shall constitute confirmation of the amount of the Target Company's Other Liabilities (excluding the Related Loan and the amount confirmed in stage 3 as stipulated in Note 1) which shall be deducted from stage 4 payment.

   a. Subject to the aforesaid deductions, the Purchasers shall pay the remainder of RMB200 million into the V2 Designated Account within 5 Business Days after signing of the Final Confirmation of Liabilities.

   b. Notwithstanding the foregoing, in the event that the parties are unable to enter into the Final Confirmation of Liabilities as per the timeline prescribed, the parties agree the Purchasers shall nevertheless pay into the V2 Designated Account the undisputed amount of stage 4 payment within 5 Business Days after 3 months from the Completion Date, and the remaining disputed amount shall become payable by the Purchasers upon the parties' later resolution of the same.

Directors' view on the payment terms

As at the Latest Practicable Date, stage 1A payment in the amount of RMB150 million had been received by the Group from the Purchasers pursuant to the payment schedule.

As illustrated in the tables above, out of the payment of RMB1,256 million attributable to the Group (comprising the price of the SRE Sale Shares and the Shareholder Loan), the Purchasers will have paid RMB899 million on or before Completion Date (i.e. stage 1 and stage 2 payment); After Completion Date, the Purchasers will have to pay to the Group RMB357 million in stage 3 to 5.

After Completion Date, the Purchasers will have to pay RMB662 million in stage 3 to 5 (including the said RMB357 million).

Such payment schedule is agreed by the parties after thorough negotiation, balancing the interests of each party. The parties agreed that (i) the Target Land shall be priced and sold on the basis that it is ready for development, i.e. the Stage 3 Conditions shall be fulfilled; and (ii) the Group shall be responsible for completion of the Stage 3 Conditions.

The parties have considered two options to achieve the Stage 3 Conditions — either (a) completion to take place after the Group has completed the Stage 3 Conditions by its own financial resources; or (b) completion to take place first and the Purchasers will provide the necessary funding to complete the Stage 3 Conditions.

The Directors considered that option (b) is more favourable to the Group as it will not increase the financial burden of the Group to complete Stage 3 Conditions before the Group could have received a major part of the purchase price.

In addition, Yango Group, which is the holding company of the Purchasers, has executed a letter of guarantee in favour of SRE Vendors to guarantee the Purchasers' payment obligations.

Pursuant to the letter of guarantee, Yango Group has irrevocably guaranteed to the SRE Vendors all of the payment obligations of the Purchasers and the Target Company after Completion Date under the Sale and Purchase Agreement, including but not limited to:

(1) all payment obligations of the Purchasers as set out under the paragraph headed "Conditions to payment"; and

(2) the damages and compensation payable by the Purchasers in the event of their breach of the Sale and Purchase Agreement and the costs resulting therefrom, including but not limited to any litigation and legal fees.

The letter of guarantee will remain in force and effect until the expiration of two years after the payment obligations of the Purchasers and the Target Company after Completion Date under the Sale and Purchase Agreement have been discharged in full.

Yango Group is a company listed on the Shenzhen Stock Exchange (stock code: 000671) and is the holding company of the Purchasers. According to the annual report of Yango Group, as at 31 December 2018, it recorded turnover of approximately RMB56.4 billion and it has total assets of approximately RMB263.4 billion and net assets attributable to owners of company of approximately RMB23 billion. Its debt credit rating is maintained at AA+ affirmed by China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司). Yango Group has been accredited as "2018中國房地產開發企業百強TOP20 (TOP20 of 2018 China Real Estate Development Enterprise Top 100)". In 2018, Yango Group achieved sales amount of approximately RMB162.86 billion.

The Directors considered that Yango Group possesses the creditworthiness and financial capacity to guarantee the Purchasers' payment obligations.

Having considered the scope of guarantee of the letter of guarantee and the creditworthiness and financial capacity of Yango Group, the Directors considered that the Company's interest is adequately and effectively safeguarded.

Therefore, notwithstanding that part of the consideration will only be received after Completion Date, the Directors considered that the payment schedule is fair and reasonable and in the interests of the Company and its shareholders as a whole.

For the detailed reasons for the conditions to stage 3 to 5 payments:

(a) The stage 3 payment is subject to the completion of (i) termination of the General Contractor Contract and settlement of the amount due for the completed projects under said contract; and (ii) the demolition and relocation work.

Re: Termination of General Contractor Contract

The termination of the General Contractor Contract is carried out pursuant to the Purchasers' request as the Purchasers will appoint a general contractor with whom they have a long-term cooperation relationship to develop the Target Land. The settlement of the amount due under the General Contractor Contract for the completed projects shall be completed at the same time of said termination.

Re: Demolition and relocation work of the Target Land

The demolition and relocation work that has been undertaken by the Company is already underway. To pass such work to the Purchasers now would impact the continuity required for such work and would add uncertainty to the timeframe, manpower and resources that have been allocated to it.

While there is no cap set for deduction of shortfall of the stage 3 payment, the Company considers that the deduction exceeding the amount of the stage 3 payment is unlikely to occur and that there will be no material deviation from the amount, for the following reasons:

(i) As at the date of the Sale and Purchase Agreement, demolition agreements have been signed by 12 out of a total of 19 households. As a major part of the demolition and relocation expense has been agreed and given the present state of such work, the Company anticipates that the final demolition and relocation expense will not have material deviation from the planned amount.

(ii) Even if the demolition and relocation work is delayed and the Purchasers have to take over and complete the rest, the expense will not rise substantially having considered the fairness, reasonableness and continuity of the demolition and relocation works and as the local government strictly adheres to demolition and relocation standards, the compensation amount can be effectively controlled.

(iii) The outstanding demolition and relocation work should be finished within 3 months after the Completion Date and during such 3-month period, the Group will take the lead in the demolition and relocation works. It is expected that the unfinished demolition and relocation works will be limited and it is not anticipated to result in any substantial increase in the demolition and relocation expense.

(b) The stage 4 payment is subject to the signing of Final Confirmation of Liabilities which the Company considers will comprise approximately (i) RMB32 million being the income tax payable by Vendor 1; and (ii) RMB65 million being the remaining amount of Other Liabilities. The rationale for the arrangement in (i) has been set out in note 2 in the paragraph headed "Conditions to payment" above. As the holding company of the Purchasers is a company listed on the Shenzhen Stock Exchange and has chiefly relied on the Company's disclosure of the Target Company prior to entering into the Sale and Purchase Agreement, the Purchasers will conduct an audit of the Target Company after Completion Date to confirm the assets and liabilities of the Target Company. The Company anticipates to receive approximately RMB103 million (i.e. RMB135 million less income tax of RMB32 million) from the Purchasers after the deductions.

(c) The stage 5 payment is subject to the availability of the First Phase Construction Permit in respect of the Target Land. This arrangement is made pursuant to the Purchasers' request to cover miscellaneous land title defect issues that have not been accounted for in the Sale and Purchase Agreement. Normally, the grant of said permit would indicate a lack of substantive issues with the land title of the Target Land and the Purchasers would make the payment on this basis.

Basis of consideration

The total consideration of the Disposal was determined after arm's length negotiations between the Vendors and the Purchasers, taking into consideration of, among others, (i) the assets and liabilities of the Target Company; (ii) the amount of the Shareholder Loan; and (iii) the valuation of the assets of the Target Company by independent professional valuer.

The Vendors and the Purchasers agreed that the valuation for the Target Project (including the un-sold stocks and the vacant land) net of liabilities of the Target Company is approximately RMB1,285 million, out of which (i) the Group is entitled to approximately RMB1,256 million, comprising the price for the SRE Sale Shares and the Shareholder Loan; and (ii) Vendor 3 is entitled to RMB29 million.

Release of guarantee and charge over land

Pursuant to a repayment agreement entered into between Hua Rong and Shanghai Oasis (the Company's indirectly wholly-owned subsidiary), Shanghai Oasis was indebted to Hua Rong in the principal amount of RMB398 million as at the date of the Sale and Purchase Agreement ("**Hua Rong Loan**"). In respect of such loan, the Target Company has charged the land and construction-in-progress of Phase III-A and the land of Phase III-B and C of the Target Project in favour of Hua Rong.

It is agreed by the SRE Vendors and the Purchasers that stage 2 payment of the consideration will be utilized to repay the Hua Rong Loan and after such repayment, the aforesaid charge over land provided by the Target Company will be released ("**Release**").

Conditions precedent and effectiveness

Completion of the Disposal is conditional upon the Company having convened and held a general meeting in accordance with the Listing Rules and other applicable laws and has obtained approval of the Sale and Purchase Agreement and the transactions contemplated thereunder from the Shareholders who are entitled to vote thereat under the applicable laws.

The Sale and Purchase Agreement shall become effective upon the holding company of the Purchasers and SRE Vendors having obtained the necessary shareholders' approval. In the event that such shareholders' approval cannot be obtained, the parties may terminate the Sale and Purchase Agreement and the SRE Vendors shall refund all payment received (together with cost of usage of fund calculated at the rate of bank interest rate) to the Purchasers within 3 days after the receipt of the termination notice.

Completion

Completion of the Disposal takes place upon the Purchasers becoming the registered shareholders of the Sale Shares and the Target Company obtaining the new business licence. From Completion Date, the Group will cease to have any shareholding interest in the Target Company and the Target Company will cease to be a subsidiary of the Group.

Guarantee

On 11 June 2019, Yango Group has irrevocably executed a letter of guarantee in favour of SRE Vendors pursuant to which Yango Group has agreed to guarantee the payment obligations of the Purchasers under the Sale and Purchase Agreement, including but not limited to:

(1) all payment obligations of the Purchasers as set out under the paragraph headed "Conditions to payment"; and

(2) the damages and compensation payable by the Purchasers in the event of their breach of the Sale and Purchase Agreement and the costs resulting therefrom, including but not limited to any litigation and legal fees.

The letter of guarantee will remain in force and effect until the expiration of two years after the payment obligations of the Purchasers and the Target Company after Completion Date under the Sale and Purchase Agreement have been discharged in full.

On 11 June 2019, the Target Company has executed a letter of guarantee in favour of the Purchasers pursuant to which the Target Company has agreed to guarantee SRE Vendors' obligations to refund any purchase price and the related costs to the Purchasers under the Sale and Purchase Agreement.

On 11 June 2019, the Company has executed a letter of guarantee in favour of the Purchasers pursuant to which the Company has agreed to guarantee SRE Vendors' obligations in respect of the following matters under the Sale and Purchase Agreement:

i. the cancellation of the tenancy agreement as set out in the paragraph headed "Other terms" below;

ii. any undisclosed liabilities of the Target Company; and

iii. all payment or refund obligations of SRE Vendors.

Other terms

Cancellation of tenancy agreement

In June 2013, the Target Company (as lessor) entered into a tenancy agreement in respect of certain part of Phase IIIA of the Land with an independent tenant. However, such tenancy agreement has not been performed by both parties. SRE Vendors agreed to arrange the signing of cancellation agreement in respect of such tenancy agreement before 31 December 2019 and be responsible for any loss or compensation (if any) in respect of such cancellation.

Conduct after completion

The parties agreed that:

(1) the Target Company shall continue to fulfill its obligations undertaken in contracts relating to the Target Project that have been signed and are in the process of being fulfilled; and

(2) in respect of contracts relating to the Target Project that have been signed but are not in the process of being fulfilled by the Target Company, the Purchasers shall be at liberty to determine if the Target Company would proceed to fulfill those contracts and in the event that the Purchasers determine to not so proceed with such contracts, the Target Company shall be responsible for whatever liability relating to construction cost, penalty or compensation that shall arise from the termination of such contracts by the Vendors on behalf of the Target Company.

INFORMATION OF THE GROUP

The Group is an integrated real estate developer focusing on high-quality development projects and renewal projects in first-tier cities and second-tier cities with high potential in the PRC. 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 operating in a "light and heavy assets in parallel" model.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited company established under the laws of the PRC with registered capital of RMB750 million and is principally engaged in property development in the PRC.

The Target Company had successfully won the bid held on 3 August 2007 for the acquisition of the Land. The Land is located at South Street East, Heping District, Shenyang, the PRC and has a site area of approximately 158,541 sq.m. The Land has been developed into a real estate project named "Shenyang Albany Garden".

The project was developed into four phases. Phase I, Phase II and Phase III-A of the project have been completed in various stages between 2011 and 2018, and Phase III-B and C of the project (i.e. the Target Land) were vacant land except for 2 vacant buildings erected thereon to be demolished. The land use rights of the Land have been granted for a term of 50 years expiring on 11 December 2058 for residential and commercial service uses. Please refer to the valuation report of the Land as set out in Appendix II to this circular for further details of the Land.

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

	For the financial year ended 31 December	
	2017	**2018**
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Revenue	495,506	472,958
Net profit before taxation and extraordinary items	155,003	25,476
Net profit after taxation and extraordinary items	140,409	37,871

The net profit of the Target Company decreased substantially from 2017 to 2018 despite that its revenue was in fact relatively stable in 2017 and 2018 was principally due to the increase in settlement amount of construction costs and the allocation of demolition and relocation costs resulting in the increase in cost of sales and the increase in finance costs.

According to the unaudited management accounts of the Target Company as of 31 December 2018, the total assets and net assets of the Target Company was approximately RMB2,108,714,855 and RMB916,523,900, respectively. According to the valuation report as contained in Appendix II to this Circular prepared by the Valuer in respect of the Target Project, the estimated market value of the Target Project as at 30 April 2019 was approximately RMB1,827 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has always been reviewing its regional planning in order to achieve a better return for its Shareholders. The Group has decided to adopt a strategic focus in order to better concentrate on its present assets and realize their full potential by (i) optimizing the sales and operations of its present assets; (ii) reserving land to deal with problems of demolition and relocation; and (iii) seeking funding and business partners where appropriate.

In the light of the foregoing, the Group has given due consideration to the matter and decided to withdraw from the Shenyang Albany Garden project and dispose of the Target Company. The proceeds from the Disposal will enhance the Company's cash flow position and provide additional capital resources 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 (including the Independent Board Committee) is of the view that the terms of the Sale and Purchase 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.

None of the Directors has material interest in the transactions contemplated under the Sale and Purchase Agreement. Nevertheless, to avoid conflict of interests and for the sake of good corporate governance, Mr. Peng Xinkuang, Mr. Liu Feng (who resigned as a Director on 18 July 2019), Mr. Chen Donghui, Mr. Zhu Qiang and Ms. Qin Wenying who were nominated by China Minsheng Jiaye Investment Co., Ltd (a controlling shareholder of the Company) as Directors had abstained from voting on the Board resolutions to approve the signing of the Sale and Purchase Agreement and the transactions contemplated thereunder.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Immediately after Completion Date, the Group will cease to have any shareholding interest in the Target Company. Subject to audit, it is expected that the Group will record a gain of approximately RMB193 million, being (the SRE Sale Shares (approximately RMB1,121.25 million) minus the unaudited net assets of the Target Company (approximately RMB890.8 million as at 30 April 2019)) × 97.5%, after deduction of the estimated tax related to the Disposal (approximately RMB59.6 million), as a result of the Disposal.

Based on the unaudited financial information of the Group as at 30 April 2019, as a result of the Disposal, it is expected that total assets of the Group will decrease by approximately RMB343.79 million (being the difference between (i) the total consideration received and to be received by the Group from the Disposal; and (ii) the total asset of the Target Company and the estimated tax related to the Disposal), while total liabilities of the Group will decrease by approximately RMB514.6 million (being the total liabilities of the

Target Company). It is expected the Group's total assets and total liabilities will simultaneously decrease by RMB398 million as a result of the repayment of the liabilities due to Hua Rong pursuant to the terms of the Disposal. As regards earnings of the Group as a result of the Disposal, it is expected that the Group will record a gain on disposal of approximately RMB193 million. The final financial impact on the Group as a result of the Disposal will, however, be subject to the financial position of the Target Company as at the Completion Date and determination of the actual costs and taxes payable following the fulfilment of the conditions to stage 3 to 5 payments.

The net proceeds to be received by the Group from the Disposal amounted to approximately RMB1,256.4 million (excluding deduction of the estimated tax related to the Disposal approximately RMB59.6 million) will be applied towards other real estate development projects of the Group and repayment of the outstanding loans of the Group.

IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio under the Listing Rules in respect of the Disposal exceeds 25% but below 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The Related Lender (i.e. China Minsheng Jiaye Investment Co., Ltd) is a controlling shareholder of the Company. The transactions contemplated under the Sale and Purchase Agreement also constitutes a connected transaction and is subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the transactions contemplated under the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the resolutions in relation to said transactions, taking into account the recommendations of the Independent Financial Adviser, and the Independent Financial Adviser, namely VBG Capital Limited, has been appointed to advise the Independent Board Committee in relation to the Sale and Purchase Agreement. No member of the Independent Board Committee has any material interest in said transactions.

SHAREHOLDING STRUCTURE OF THE COMPANY AND SUFFICIENCY OF PUBLIC FLOAT

Shareholding structure

Based on public information available and enquiries made by the Company with its Shareholders, the shareholding structure of the Company as at the Latest Practicable Date was as follows:

Name of shareholder	Number of Shares held (based on voting rights controlled by the shareholder)	Approximate percentage of shareholding
Jiashun (Holding) Investment Limited *(Note 1)*	12,500,000,000	60.78%
Zhi Tong Investment Limited Partnership *(Note 2)*	2,022,761,390	9.84%
Jiayou (International) Investment Limited *(Note 3)*	30,292,000	0.15%
He Pei Pei *(Note 4)*	160,000	0.0008%
Jiang Chuming *(Note 5)*	500,000	0.0024%
Public	6,011,000,332 *(Note 6)*	29.2297%
Total	20,564,713,722	100.00%

Notes:

1. Jiashun (Holding) Investment Limited is an indirect subsidiary of China Minsheng Investment Corp., Ltd. ("**CMI**"). CMI holds approximately 67.40% direct interest in China Minsheng Jiaye Investment Co., Ltd. which, in turn, indirectly holds 100% interest of Jiashun (Holding) Investment Limited.

2. Zhi Tong Investment Limited Partnership is an indirect subsidiary of CMI.

3. Jiayou (International) Investment Limited is an indirect subsidiary of CMI.

4. He Pei Pei is the spouse of Zhuo Fumin, an independent non-executive Director.

5. Jiang Chuming is an executive Director.

6. This includes the 866,897,738 Shares held by SRE Investment Holding Limited ("**SREI**") which are charged to Jia Yun Investment Limited ("**Jia Yun**"). SRE Investment Holding Limited retains the voting rights of Shares.

Sufficiency of public float

As illustrated from the shareholding table above, as at the Latest Practicable Date, 6,011,000,332 Shares (representing approximately 29.229% of the issued share capital of the Company) are in the public hands. Therefore, the Company is in compliance with the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

Even if Jia Yun has enforced the share charge as mentioned in note 6 above to acquire all 866,897,738 charged Shares, 5,144,102,594 Shares, representing approximately 25.0142% of the issued share capital of the Company, will remain in public hands and thus the Company will still be in compliance with the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

CMI has nevertheless confirmed to the Company that in the event that the enforcement of the share charge will result in the Company's inability to meet the public float requirement, CMI will use its best efforts to assist the Company to maintain or restore its public float in compliance with Rule 8.08(1)(a) of the Listing Rules, such as by selling down its Shares on the open market.

RE-ELECTION OF DIRECTOR

Ms. Jiang Chuming ("**Ms. Jiang**") was appointed as an executive Director and a member of the Investment Committee of the Company with effect from 18 July 2019. According to Code Provision A.4.2 of the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Therefore, Ms. Jiang shall hold office only until the SGM, and being eligible, offers herself for re-election at the SGM.

The biographical details of Ms. Jiang are set out below:

Ms. Jiang, aged 40, graduated from the Shanghai University Law School with a bachelor's degree in laws in 2000 and from the School of Law of the University of Aberdeen in the United Kingdom with a master's degree in international commercial law in 2004. Ms. Jiang joined China Minsheng Jiaye Investment Co., Ltd. in April 2015 and is currently its chief risk control officer. Before joining China Minsheng Jiaye Investment Co., Ltd., Ms. Jiang worked as a lawyer with Shanghai Keenmore Law Office before proceeding to work for Ping An Real Estate Co., Ltd. as company lawyer. Ms. Jiang also worked at Shanghai Fosun High Technology (Group) Co., Ltd. as senior director of legal affairs.

Save as disclosed above, as at the Latest Practicable Date, Ms. Jiang does not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company. Ms. Jiang has not held any other directorships in listed public companies in the last three years. Save as the directorship and the position disclosed above, Ms. Jiang does not hold any other positions with the Group.

As at the Latest Practicable Date, Ms. Jiang was interested in 500,000 Shares within the meaning of Part XV of the SFO.

Pursuant to the service agreement made between Ms. Jiang and the Company, Ms. Jiang has been appointed for a fixed term of three years commencing on 18 July 2019 to 17 July 2022 (both days inclusive), subject to retirement by rotation and re-election and other applicable rules and laws, unless otherwise terminated by either party by giving not less than 6 months' written notice to the other or otherwise in accordance with the other terms of the service agreement. Pursuant to her service agreement, Ms. Jiang is entitled to a remuneration of HK$60,000 per annum, which was determined with reference to her qualifications, experience and level of responsibilities undertaken and the prevailing market conditions.

Save as disclosed above, Ms. Jiang has confirmed that there are no other matters in connection with her re-election that need to be brought to the attention of the shareholders of the Company and there are no other information that should be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

SGM

The SGM will be held at Admiralty Conference Centre, Room 1804A, 18th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 13 August 2019 at 2:30 p.m. for the purpose of, among other matters, considering and, if thought fit, approving (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the re-election of Director. The notice of the SGM is set out on pages SGM-1 to SGM-3 of this circular.

As at the Latest Practicable Date, a 50%-owned company of China Minsheng Jiaye Investment Co., Ltd (a controlling shareholder of the Company) holds approximately 17.7976% of the issued shares of Yango Group. Accordingly, China Minsheng Jiaye Investment Co., Ltd, its associates, and any person who has a material interest in the Sale and Purchase Agreement and the Disposal, are required to abstain from voting with respect to the resolution for approving the Sale and Purchase Agreement and the Disposal. As at the Latest Practicable Date, China Minsheng Jiaye Investment Co., Ltd and its associates held an aggregate of 14,553,053,390 Shares.

In accordance with the Listing Rules, all resolutions will be voted on by way of poll at the SGM.

A form of proxy for use at the SGM is enclosed with this circular and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.sre.com.cn). Whether or not you intend to be present at the SGM, you are requested to complete the form of proxy and return it to the Company in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting (as the case may be) if they so wish.

RECOMMENDATION

The Board considers that the terms of the Sale and Purchase 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. Accordingly, the Board recommends the Shareholders to vote for the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Board considers that the re-election of Ms. Jiang Chuming as an executive Director is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote for the resolution approving the re-election of Ms. Jiang Chuming as an executive Director at the SGM.

Your attention is also drawn to the additional information set out in Appendices to this circular.

Yours faithfully
By Order of the Board
SRE GROUP LIMITED
Peng Xinkuang
Chairman and Chief Executive Officer

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

25 July 2019

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF TARGET COMPANY

We refer to the circular of the Company dated 25 July 2019 ("**Circular**"), of which this letter forms part. Unless otherwise required, capitalised terms herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are set out on pages 28 to 45 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having considered the benefits for and reasons of the Sale and Purchase Agreement and the transactions contemplated thereunder and taking into account the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Sale and Purchase Agreement are normal commercial terms and are fair and reasonable. We also consider that the Sale and Purchase Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote for the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully
Independent Board Committee

Mr. Zhuo Fumin	**Mr. Chan, Charles Sheung Wai**
Mr. Ma Lishan	**Mr. Han Gensheng**

Independent non-executive Directors

* *For identification purpose only*

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal for the purpose of inclusion in this circular.

建泉融資有限公司
VBG Capital Limited

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

25 July 2019

To: The independent board committee and the independent shareholders of SRE Group Limited

Dear Sirs,

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF TARGET COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 25 July 2019 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular unless the context requires otherwise.

On 11 June 2019, the Vendors, the Purchasers and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell, and the Purchasers agreed to purchase, the 100% equity interest in the Target Company for an aggregate price of RMB1,150 million (for which RMB1,121.25 million is for the SRE Sale Shares and the remaining is for the V3 Sale Shares). As at the Latest Practicable Date, the Target Company was owned as to 97.5% by the SRE Vendors and as to 2.5% by Vendor 3.

According to the Letter from the Board, the transactions contemplated under the Sale and Purchase Agreement constitute a major and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, respectively, and are subject to the reporting, announcement and independent shareholders' approval requirements.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Ma Lishan and Mr. Han Gensheng, has been established to advise the Independent Shareholders on (i) whether the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from the existing engagement in relation to the Disposal, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries (as defined in the Listing Rules) or the Directors, chief executive or substantial shareholders of the Company (as defined in the Listing Rules) or any of their associates (as defined in the Listing Rules). We consider ourselves independent to form our opinion in respect of the Disposal.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Disposal, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the announcement of the Company dated 11 June 2019 regarding the Disposal and the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the SGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Group, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the Purchasers, the Target Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update, revise or reaffirm this opinion to take into account events occurring after the Latest Practicable Date. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group or the Target Company, and we have not been furnished with any such evaluation or appraisal, save and except for the valuation report (the "**Valuation Report**") as contained in Appendix II to the Circular prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Valuer**"), an independent professional valuer, regarding the estimated market value of the Land and the Target Project. Since we are not experts in the valuation of assets, land and properties, we have relied solely upon the Valuation Report for the estimated market value of the Land and the Target Project as at 30 April 2019.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Disposal

Business overview of the Group

The Group is an integrated real estate developer focusing on high-quality development projects and renewal projects in first-tier cities and second-tier cities with high potential in the PRC. 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 following paragraphs illustrate a brief picture of the Group's existing property projects portfolio as extracted from the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"):

- *Projects available for sale*

In 2018, the Group's major projects available for sale were Shanghai Xiangzhang Garden, Shanghai Albany Oasis Garden, Jiaxing Project, Shanghai Huating Project, Chengdu Albany Oasis Garden, Shenyang Albany Garden and the Atelier. The Group together with its joint ventures and associates had contracted sales amounted to approximately RMB3,265.8 million, with a total gross floor area (GFA) of approximately 87,239 square meters (sq.m.), in 2018.

- *Development projects*

The Group's development projects mainly included Shenyang Albany Garden, Shanghai Rich Gate I, Changsha Fudi Albany Project, Dalian Oasis City Garden, Shanty Town Renovation Project in Zhangjiakou, Chengdu Albany Oasis Garden, Jiaxing Project, 75 Howard Project and the Atelier. The progress of relocation or construction (as the case may be) of these development projects (excluding Shenyang Albany Garden which will be separately discussed under the sub-section headed "Information on the Target Company" of this letter of advice) is as follows:

Shanghai Rich Gate I (Qinhai Oasis Garden)

As of the end of 2018, contracts were signed for 911 certificates of households (including certificates of individuals), representing a signing rate of approximately 90%; 757 certificates of households (including certificates of individuals) were relocated, representing a relocating rate of approximately 75%; contracts were re-signed for 702 certificates of households (including certificates of individuals), representing a re-signing rate of approximately 70%. 19 certificates of enterprises were relocated and settled, accounting for approximately 49% of the total 39 certificates.

Changsha Fudi Albany Project

The project positioning plan has been completed and is currently undergoing approval. As of 31 December 2018, there were 99 households in the land area of the project. The signing rate reached 100% for 2018; 100% households were demolished; other relocation work was almost completed.

Dalian Oasis City Garden

The project is divided into nine sections. As of the end of 2018, the Steel Square and the Auto Square have been demolished; contracts for the mobile base station have been signed off; compensation agreements for transfer of land have been signed; and the relocation work has been completed.

Shanty Town Renovation Project in Zhangjiakou

This project covers an area of approximately 215 mu and involves residents of 930 households. As of the end of 2018, the signing rate was approximately 60.3% and approximately 60.1% of the relocation work was completed.

Chengdu Albany Oasis Garden

In 2018, for Phase II of Chengdu Albany Oasis Garden, construction of Blocks No. 3, 4, 5 and 6 were completed in advance, among which, Blocks No. 5 and 6 were successfully launched while the interior refined decoration for Blocks No. 3 and 4 were started.

Jiaxing Project

The saleable area of Jiaxing Project Lanwan Phase II is approximately 53,000 sq.m., including residential GFA of approximately 43,000 sq.m. The project obtained a construction permit in 2018 and is currently undergoing a basement project.

75 Howard Project in the United States of America

75 Howard Project is located in the central business district of the northeast corner of San Francisco, adjacent to the Bay Bridge. The project has a total saleable area of approximately 20,000 sq.m. and is planned to have 120 high-end apartments. A groundbreaking ceremony for the project was held in 2018, and the project is currently undergoing pile foundation engineering work.

The Atelier in the United Kingdom

The Atelier is located in Borough of Hammersmith and Fulham, London, with 43 saleable units and saleable area of 3,259 sq.m. The basement project has been completed in 2018 and is expected to be delivered smoothly in 2019.

- *Land bank*

As at 31 December 2018, the Group owned a land bank with total GFA of approximately 2.11 million sq.m. in Shanghai, Shenyang, Chengdu, Changsha, Jiaxing, Dalian of the PRC, London of the United Kingdom, and San Francisco of the United States of America, etc.

- *Commercial property operation*

  Oasis Central Ring Centre

  As a landmark of the Shanghai Central Ring business district, the Oasis Central Ring Centre is designed as a ring commercial street connected to the office building and built into an urban complex ecological business cluster. In 2018, the occupancy rate of Oasis Central Ring Centre reached 100%, and its operating revenue was approximately RMB42.4 million.

  Shenyang Rich Gate Shopping Mall

  Shenyang Rich Gate Shopping Mall is committed to building into a one-stop integrated center with business, leisure and life elements, accommodating shopping, leisure & entertainment, and food & beverage needs and requirements. The project continued to make efforts in attracting tenants. In 2018, the leased area reached 77,000 sq.m., and its operating income reached approximately RMB39.4 million.

- *Development of investment projects*

  Cambodian Residential Project

  This project is located in the Sen Sok District, west of the Cambodian capital, Phnom Penh. It is adjacent to Russian Boulevard, the only main road that runs through the east and west and connecting the airport to the urban area, and is about 4.5 kilometers from the Phnom Penh Airport and the Prime Minister's Office. This project has a total area of 16,327 sq.m., saleable area of approximately 90,000 sq.m., including area for residential use of approximately 80,000 sq.m. and area for ancillary commercial use of approximately 10,000 sq.m.

  The Directors consider that looking forward to the future development of the real estate market, "Houses are for living in, not for speculation" has become a market consensus in the PRC, and it is expected that the market regulatory policy will not be relaxed, the refined adjustment of "Targeted policy for specific city" will continue, and the level of increase in housing prices will gradually be stabilised. Real estate financing will still be difficult, and financing costs will still be higher. Market adjustment of the first and second-tier cities will gradually spread to the third and fourth-tier cities. In particular, some cities are affected by the gradual exit of monetised resettlement compensation. Facing such pressure from the external environment, the Directors advised us that the Group will continue to adhere to the dual drive model of real estate development and real estate investment. As for operations, the Group will strengthen its cost control, optimise procedures, keep up with the progress of projects, and pursue a stable stream of profit and cash flow. In terms of investment, the Group will be more cautious in making new investments and catching the right moment to exit the non-strategic projects. The Group will also explore its investment businesses, accelerate the process of investment exits and profit generating by adopting the "financing, investment, management and withdrawal" approach and operating in a "light and heavy assets in parallel" model.

Information on the Target Company

As extracted from the Letter from the Board, the Target Company is a limited company established under the laws of the PRC with registered capital of RMB750 million and is principally engaged in property development in the PRC. The Target Company had successfully won the bid held on 3 August 2007 for the acquisition of the Land. The Land is located at South Street East, Heping District, Shenyang, the PRC and has a site area of approximately 158,541 sq.m. The Land has been developed into a real estate project named "Shenyang Albany Garden". As at the Latest Practicable Date, the development status of the Land and the Target Project is as follows:

Development of Phases I, II and IIIA of the Target Project has been completed in various stages between 2011 and 2018. Phases IIIB and IIIC (i.e. the Target Land) of the Target Project were vacant land except for two vacant buildings erected thereon to be demolished. The land use rights of the Land have been granted for a term of 50 years expiring on 11 December 2058 for residential and commercial service uses.

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2018 and 2017 as provided by the Company:

	For the year ended 31 December 2018 *RMB'000*	**For the year ended 31 December 2017** *RMB'000*
Revenue	472,958	495,506
Net profit after taxation and extraordinary items	37,871	140,409

From the financial information of the Target Company, we noted that the net profit of the Target Company decreased substantially from 2017 to 2018 despite that its revenue was in fact relatively stable in 2017 and 2018. Based on our independent study of the Target Group's financial information and per our enquiry with the Directors, we noted that the decrease in net profit was principally due to the increase in settlement amount of construction costs, the allocation of demolition and relocation costs and the increase in finance costs.

Moreover, according to the unaudited management accounts of the Target Company, the net asset value of the Target Company was approximately RMB890.8 million as at 30 April 2019.

Reasons for the Disposal and proposed use of proceeds

As advised by the Directors, the Group has always been reviewing its regional planning in order to achieve a better return for the Shareholders. The Group has decided to adopt a strategic focus in order to better concentrate on its present assets and realise their full potential by (i) optimising the sales and operations of its present assets; (ii) reserving land to deal with problems of demolition and relocation; and (iii) seeking funding and business partners where appropriate. In the light of the foregoing, the Group has given due consideration to the matter and decided to withdraw from the Target Project and dispose of the Target Company. The proceeds from the Disposal will enhance the Company's cash flow position and provide additional capital resources for the Company to capture other investment opportunities, which is in line with the Company's business strategy of accelerating the process of investment exits and profit generating by adopting the "financing, investment, management and withdrawal" approach.

Based on our independent research, in 2018, real estate financing supervision was further strengthened in the PRC. In January 2018, the "Notice of the China Banking Regulatory Commission on Further Deepening and Reconciliating the Banking Market" (《中國銀監會關於進一步深化整治銀行業市場亂象的通知》), the "Management Measures for Entrusted Loans of Commercial Banks" (《商業銀行委託貸款管理辦法》) and the "Notice on Regulating the M&A Loan Business" (《關於規範開展併購貸款業務的通知》) were issued. Under the strong supervision from the PRC government, small and medium-sized real estate enterprises are further restricted in credit and standardised bond financing. In May 2018, the National Development and Reform Commission and the Ministry of Finance jointly issued the "Notice on Perfecting Market Constraint Mechanism Strictly Preventing External Debt Risk and Local Debt Risk" (《關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》), restricting the investment of foreign debt funds of real estate enterprises in domestic and overseas real estate projects. In May 2018, the Banking Regulatory Commission issued the "Management Measures for Joint Credit Grants of Banking Financial Institutions (Trial)" (《銀行業金融機構聯合授信管理辦法(試行)》) and deployed the pilot work. It is expected that with the launch of the pilot work, real estate enterprises with large debts, high leverage and insufficient solvency would be prohibited in bank credit. In May 2018, the Ministry of Housing and Urban-Rural Development issued the "Notice on Further Improving the Relevant Issues Concerning the Regulation and Control of the Real Estate Market" (《關於進一步做好房地產市場調控工作有關問題的通知》), reiterating that the goal of real estate regulation and control is unwavering and the strength is not relaxed, and restricts land purchase by enterprises using only self-owned funds.

With reference to the statistics released by the China Index Academy, in 2018, the comprehensive financing costs of real estate enterprises rose by around 1 to 3 percentage points as compared with 2017. At the beginning of 2019, the financing costs of real estate enterprises were still at a high level. The average cost of issuing bonds in January 2019 was approximately 7.0%; whereas the cost of overseas debt financing was approximately 7.9%.

Subject to audit, the estimated net gain arising from the Disposal is expected to be approximately RMB193 million, which was determined with reference to (i) the Sale Shares Price (as being defined in the latter section of this letter of advice) for the SRE Sale Shares of approximately RMB1,121.25 million; (ii) the unaudited net assets of the Target Company as at 30 April 2019 of approximately RMB890.8 million; (iii) the 97.5% interest of the Target Company which is owned by the SRE Vendors; and (iv) the estimated tax related to the Disposal of approximately RMB59.6 million. The net proceeds from the Disposal would amount to approximately RMB1,256.4 million (excluding deduction of the estimated tax related to the Disposal of approximately RMB59.6 million). The Directors currently intend to apply the net proceeds from the Disposal towards other real estate development projects of the Group and repayment of the outstanding loans of the Group (including the Hua Rong Loan (for details, please refer to the sub-section headed "Release of charge over land" of this letter of advice)).

Regarding the proposed use of net proceeds from the Disposal, we have requested and obtained from the Company the development plan for the other real estate projects of the Group and the repayment schedule of the outstanding loans of the Group for our due diligence purpose.

In view of that (i) the net profit of the Target Company decreased substantially from 2017 to 2018; (ii) the proceeds from the Disposal will provide additional capital resources for the Company to capture other investment opportunities amidst the tightening control on and rising financing costs for real estate enterprises in the PRC; (iii) the Disposal is in line with the Company's business strategy of accelerating the process of investment exits and profit generating by adopting the "financing, investment, management and withdrawal" approach; and (iv) the Disposal could enhance the Group's cash flow, improve its gearing position and generate considerable net gain to the Group, we concur with the Directors that the Disposal is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Sale and Purchase Agreement

As extracted from the Letter from the Board, the principal terms of the Sale and Purchase Agreement dated 11 June 2019 are set out below:

Parties

(i) Vendors: Konmen Investment Limited (康明投資有限公司) (i.e. Vendor 1), 瀋陽綠怡酒店管理有限公司 (Shenyang Luyi Hotel Management Co., Ltd.*) (i.e. Vendor 2), 上海亞羅企業管理合夥企業(有限合夥) (Shanghai Ya Luo Enterprise Management Partnership (Limited Partnership)*) (i.e. Vendor 3)

(ii) Purchasers: Hong Kong Chong Dei Company Limited (香港創地有限公司) (i.e. Purchaser 1) and 瀋陽瑞光貿易有限公司 (Shenyang Ruiguang Trading Co., Ltd.*) (i.e. Purchaser 2)

(iii) Target Company: 遼寧高校後勤集團房地產開發有限公司 (Liaoning Gao Xiao Support Group Property Development Co., Ltd.*)

As at the Latest Practicable Date, the Target Company was owned as to 97.5% by the SRE Vendors (i.e. Vendor 1 and Vendor 2) and as to 2.5% by Vendor 3.

Subject matter

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendors agreed to sell and the Purchasers agreed to purchase the Sale Shares (i.e. 100% equity interest in the Target Company).

Aggregate price of the Sale Shares

The aggregate price of the Sale Shares is RMB1,150 million (the "**Sale Shares Price**") (for which RMB1,121.25 million (i.e. RMB1,150 million times 97.5%) is for the SRE Sale Shares payable to the SRE Vendors and RMB28.75 million (i.e. RMB1,150 million times 2.5%) is for the V3 Sale Shares payable to Vendor 3).

The Valuation

We noted from the Valuation Report that the estimated market value of the Land and the Target Project as at 30 April 2019 was approximately RMB1,827 million (the "**Valuation**"). Accordingly, the net asset value of the Target Company as adjusted by the Valuation, i.e. taking into account the increase in valuation of the Land and the Target Project of approximately RMB285 million as compared to its book value as at 30 April 2019, was approximately RMB1,175.8 million as at 30 April 2019 (the "**Adjusted NAV**").

We have reviewed the Valuation Report, sent an information request list and held a telephone interview with the Valuer to enquire into the methodology adopted for and the basis and assumptions used in the Valuation. We understand that the Valuer conducted a site visit to inspect the Land and the Target Project on 29 and 30 January 2019. As stated in the Valuation Report, the Valuer have assessed the value of the Land and the Target Project by adopting the comparison approach and made reference to the comparable properties/lands as available in the market. Adjustments have been made for the differences in location, transaction time, building age, level, size etc. between the comparable properties/lands and the Land/Target Project. In addition, the Target Land is valued on the basis that it is ready for development, i.e. the demolition and relocation work is finished and the existing General Contractor Contract is terminated and the amount due for the completed projects thereunder is settled. During the telephone interview, we have discussed the comparable properties/lands that the Valuer made reference to and the rationale for the adjustments. As further confirmed by the Valuer, the comparison approach is the most appropriate valuation methodology given the circumstances of the Land/Target Project and the available public information, and is universally considered as accepted valuation approach for valuing most forms of real estate. The Valuation was prepared in accordance with Chapter 5 and Practice Note 12 of the Listing Rules, 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.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer to arrive at the Valuation. From the mandate letter and other relevant information provided by the Valuer and based on our telephone interview with them, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Valuation Report. The Valuer also confirmed that they are independent to the Group, the Vendors, the Purchasers, the Target Company and their respective associates.

Further details of the basis and assumptions of the Valuation are included in the Valuation Report as contained in Appendix II to the Circular. During our discussion with the Valuer regarding the methodology, basis and assumptions of the Valuation, we have not found any material facts which may lead us to doubt the fairness and reasonableness of the methodology, principal basis and assumptions adopted for or the information used in the Valuation. Nevertheless, Shareholders should note that valuation of real estate usually involves assumptions and therefore the Valuation may or may not reflect the true market value of the Land and the Target Project accurately.

Comparable analysis

As the trading multiples analysis is a commonly adopted valuation method in the market, to further assess the fairness and reasonableness of the Sale Shares Price, we have researched for Hong Kong listed companies (i) which are engaged in similar line of business as the Target Company, i.e. property development in the PRC, and generate their revenues primarily from such business; and (ii) with market capitalisation of less than HK$500 million as at the date of the Sale and Purchase Agreement given that the Target Company is a relatively small-scale property developer in the PRC. To the best of our knowledge and as far as we are aware of, there are six comparable listed companies which met our selection criteria (the "**Comparable Companies**"). It should be noted that the operations and prospects of the Comparable Companies are not the same as the Target Company and we have not conducted any investigation into the businesses, operations and prospects of the Comparable Companies. Notwithstanding such fact, we consider that the Comparable Companies are fair proxies to the Target Company as their existing principal business is similar to that of the Target Company.

The following table sets out (a) the price to book ratio ("**P/B**") and price to earnings ratio ("**P/E**") of the Comparable Companies based on their closing share price as at the date of the Sale and Purchase Agreement and their latest published financial information; and (b) the P/B and P/E of the Target Company based on the

Sale Shares Price and its latest unaudited financial information. The P/E of some Comparable Companies is not applicable due to the fact that they have been loss making during the latest full financial year.

Name of Company	Stock Code	P/B	P/E
		(times)	*(times)*
China Uptown Group Company Limited	2330	0.35	Not applicable
Grand Field Group Holdings Limited	115	0.13	0.83
Kingwell Group Limited	1195	1.45	Not applicable
Xiwang Property Holdings Company Limited	2088	0.48	6.24
Zhongtian International Limited	2379	1.00	Not applicable
Sino Harbour Holdings Group Limited	1663	0.25	12.25
	Maximum	1.45	12.25
	Minimum	0.13	0.83
	Median	0.41	6.24
The Target Company	**Not applicable**	**1.29**	**30.37**

Source: the Stock Exchange website (www.hkex.com.hk)

As shown by the above table, the P/B of the Target Company lies towards the high end of the P/B range of the Comparable Companies while the P/E of the Target Company is far higher than that of all the applicable Comparable Companies. For this reason, the Sale Shares Price is favourable based on market comparison.

Taking into account that the Sale Shares Price is roughly the same as the Adjusted NAV and is favourable based on market comparison, we are of the opinion that the Sale Shares Price is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

Total consideration

As agreed by the parties to the Sale and Purchase Agreement, the total consideration to be paid by the Purchasers is RMB1,860 million (the "**Consideration**"). The Purchasers have agreed to assume the Other Liabilities totalling approximately RMB574.84 million. Net of these liabilities of the Target Company, (i) the Group is entitled to approximately RMB1,256.41 million, comprising the Sale Shares Price for the SRE Sale Shares in the amount of approximately

RMB1,121.25 million and the Shareholder Loan in the amount of approximately RMB135.16 million; and (ii) Vendor 3 is entitled to approximately RMB28.75 million (being the Sale Shares Price for the V3 Sale Shares).

- *The Shareholder Loan*

Pursuant to the Sale and Purchase Agreement, the Purchasers have agreed to pay to the SRE Vendors the Shareholder Loan. For the reason that the Shareholder Loan shall be borne by the Purchasers on a dollar to dollar basis, we are of the view that such arrangement is fair and reasonable.

- *The Other Liabilities*

The Related Loan

Pursuant to the Sale and Purchase Agreement, the Purchasers have agreed to pay to the Related Lender the Related Loan. For the reason that the Related Loan shall be borne by the Purchasers on a dollar to dollar basis, we are of the view that such arrangement is fair and reasonable.

The Termination Agreement and demolition and relocation work on the Target Land

Upon our enquiry with the Directors, we understand that the parties to the Sale and Purchase Agreement have agreed that the Target Company shall be sold on the basis that the Target Land is ready for development, i.e. the demolition and relocation work is finished and the existing General Contractor Contract is terminated and the amount due for the completed projects thereunder is settled (the "**Stage 3 Conditions**"), and this also forms part of the basis of the Valuation. The termination of the existing General Contractor Contract is on request of the Purchasers as the Purchasers will appoint a general contractor with whom they have a long term cooperation relationship to develop the Target Land; whilst the demolition and relocation work undertaken by the Target Company is already underway, so to pass such work to the Purchasers now would impact the continuity required for such work and would add uncertainty to the timeframe, manpower and resources that have already been allocated to it. Therefore, it is agreed that the Purchasers and the SRE Vendors shall cause the Target Company to enter into the Termination Agreement, and the Purchasers shall settle the amount due under the Termination Agreement out of the Consideration at the same time of the termination. Concurrently, the SRE Vendors shall complete all demolition and relocation work on the Target Land, and all compensation in connection with the demolition and relocation work shall be settled by the Purchasers out of the Consideration. The Directors consider this way to be more favourable to the Group as it would not increase the financial burden of the Group to complete the Stage 3 Conditions before the Group could have received a majority part of the Sale Shares Price for the SRE Sale Shares. The Company has reasonably assessed the liabilities involved and consider that there will not be material deviation from the agreed amount for the following reasons:

(i) As at the date of the Sale and Purchase Agreement, demolition agreements have been signed by 12 out of a total of 19 households. As a major part of the demolition and relocation expense has been agreed and given the present status of such work, the Company anticipates that the final demolition and relocation expense will not have material deviation from the planned amount.

(ii) Even if the demolition and relocation work is delayed and the Purchasers have to take over and complete the rest, the expense will not rise substantially having considered the fairness, reasonableness and continuity of the demolition and relocation work and as the local government strictly adheres to the demolition and relocation standards, the compensation amount can be effectively controlled.

(iii) The outstanding demolition and relocation work should be finished within three months after the Completion Date and during such 3-month period, the Group will take the lead in the demolition and relocation work. It is expected that the unfinished demolition and relocation work will be limited and it is not anticipated to result in any substantial increase in the demolition and relocation expense.

In light of the background of the Termination Agreement and the demolition and relocation work on the Target Land as aforementioned, we consider that the aforesaid provisions are fair and reasonable.

Payment of the Consideration

As detailed under the paragraph headed "Summary of payment" in the Letter from the Board, payment of the total Consideration of RMB1,860 million shall be settled by the Purchasers in five stages. Summing up the Sale Shares Price of RMB1,121.25 million for the SRE Sale Shares and the Shareholder Loan of RMB135.16 million, the purchase price payable to the Group shall be approximately RMB1,256.41 million. Following the payment schedule as stipulated under the Sale and Purchase Agreement, the Group shall be able to receive RMB899.46 million (from stage 1 and stage 2 payment) on or before Completion Date; while the remaining RMB356.95 million will be received by the Group after Completion Date (from stage 3 to stage 5 payment), with the current expected timeframe being within four months after Completion Date.

According to the Letter from the Board, reasons for the conditions to stage 3 to stage 5 payment of the Consideration are as follows:

(a) The stage 3 payment is subject to the completion of the Stage 3 Conditions as outlined under the paragraph headed "The Termination Agreement and demolition and relocation work on the Target Land" of this letter of advice.

(b) The stage 4 payment is subject to the signing of the Final Confirmation of Liabilities. As the holding company of the Purchasers, Yango Group, is listed on the Shenzhen Stock Exchange (stock code: 000671) and has chiefly relied on the Company's disclosure of the Target Company prior to the entering into of the Sale and Purchase Agreement, the Purchasers will conduct an audit of the Target Company after Completion Date to confirm the assets and liabilities of the Target Company.

(c) The stage 5 payment is subject to the availability of the First Phase Construction Permit (as defined in the Letter from the Board) in respect of the Target Land. This arrangement is made on the Purchasers' request to cover miscellaneous land title defect issues that have not been accounted for in the Sale and Purchase Agreement. Normally, the grant of the said permit would indicate a lack of substantive issues with the land title of the Target Land and the Purchasers would make the payment on this basis.

We have discussed with the Directors in relation to the above to understand the payment schedule of the Consideration. Although the Group shall only be able to receive the stage 3 to stage 5 payment after Completion Date, which is seemingly less beneficial for the Company, we notice that both the stage 1 and stage 2 payment will be received by the Group before the relevant documents for changing the registered shareholder of the Target Company are submitted to the relevant State Administration for Market Regulation, which is indeed more beneficial for the Company. So, having balanced the entire payment schedule as a whole, we are of the opinion that payment of the Consideration is fair and reasonable.

At the same time, we noted that the holding company of the Purchasers, Yango Group, irrevocably executed a letter of guarantee in favour of the SRE Vendors on 11 June 2019 (the "**Guarantee**"), under which Yango Group has agreed to guarantee the payment obligations of the Purchasers pursuant to the Sale and Purchase Agreement, including but not limited to: (1) all payment obligations of the Purchasers as set out under the paragraph headed "Conditions to payment" in the Letter from the Board; and (2) the damages and compensation payable by the Purchasers in the event of their breach of the Sale and Purchase Agreement and the costs resulting therefrom, including but not limited to any litigation and legal fees. The Guarantee will remain in force and effect until the expiration of two years after the payment obligations of the Purchasers and the Target Company after Completion Date under the Sale and Purchase Agreement have been discharged in full.

Based on our independent research, Yango Group as aforesaid is a company listed on the Shenzhen Stock Exchange (stock code: 000671). For the year ended 31 December 2018, Yango Group recorded total turnover and net profit of approximately RMB56,470.1 million and RMB3,906.4 million, respectively. Furthermore, its cash on hand and net asset value were approximately RMB37,848.3 million and RMB41,029.8 million, respectively, as at 31 December 2018. With all these being the case, we concur with the Directors that Yango Group possesses more than sufficient financial strength to act as the guarantor for the payment obligations of the Purchasers. Having studied and considered the scope of guarantee under the Guarantee and the financial strength of Yango Group, we concur with the Directors that the interest of the Group would be safeguarded.

Moreover, from our independent research over the website of the Stock Exchange (www.hkex.com.hk) regarding announcements made during the period from 12 May 2019 up to 11 June 2019 (being the one-month period prior to and including the date of the Sale and Purchase Agreement in consideration of the recency factor) in relation to disposal transactions (either connected or not connected) conducted by listed companies in Hong Kong, we noted that around ten of such disposal transactions include payment terms under which part or all of the disposal consideration would be received by the relevant listed companies after completion of the transaction. Taking note of this, the payment schedule of the Consideration is on normal commercial terms and is not abnormal in the market.

Cancellation of tenancy agreement

In June 2013, the Target Company (as lessor) entered into a tenancy agreement in respect of certain part of Phase IIIA of the Target Project with an independent tenant. However, such tenancy agreement has not been performed by both parties. The SRE Vendors agreed to arrange the signing of cancellation agreement in respect of such tenancy agreement before 31 December 2019 and be responsible for any loss or compensation (if any) in respect of such cancellation.

We are of the opinion that due to the fact that the relevant tenancy agreement was entered into by the Target Company back in 2013, it is justifiable for the SRE Vendors to be held responsible for any loss or compensation (if any) in respect of the cancellation. Given that the tenancy agreement has not been performed by the parties thereto, the Directors expected that the termination would not cause any material adverse effect to the Group.

Release of charge over land

Pursuant to a repayment agreement entered into between Hua Rong and Shanghai Oasis (the Company's indirectly wholly-owned subsidiary), Shanghai Oasis was indebted to Hua Rong in the principal amount of RMB398 million as at the Latest Practicable Date (the "**Hua Rong Loan**"). In respect of such loan, the Target Company has charged the land and construction-in-progress of Phase IIIA of the Target Project and the Target Land in favour of Hua Rong. The Company shall apply the equivalent amount of the proceeds from the Disposal for repayment of the Hua Rong Loan. After the repayment, the aforesaid charge over land provided by the Target Company will be released.

We are of the opinion that the repayment of the Hua Rong Loan would improve the gearing position of the Group and thus is favourable to the Company.

Taking into account the principal terms of the Sale and Purchase Agreement as highlighted above, we consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible financial effects of the Disposal

As confirmed by the Directors, from Completion Date, the Group will cease to have any shareholding interest in the Target Company.

Effect on net asset value

As referred to in the 2018 Annual Report, the Group's audited consolidated net asset value was approximately RMB7,818.3 million as at 31 December 2018. The Directors expected that the Disposal would lead to an increase in the consolidated net asset value of the Group.

Effect on earnings

As aforementioned, subject to audit, the Directors expected the estimated net gain arising from the Disposal to be approximately RMB193 million, which was determined with reference to (i) the Sale Shares Price for the SRE Sale Shares of approximately RMB1,121.25 million; (ii) the unaudited net assets of the Target Company as at 30 April 2019 of approximately RMB890.8 million; (iii) the 97.5% interest of the Target Company which is owned by the SRE Vendors; and (iv) the estimated tax related to the Disposal of approximately RMB59.6 million. The actual gain to be recorded by the Company will be ascertained when the net asset value of the Target Company and other incidental tax and transaction costs are determined as at Completion Date.

Effect on working capital and gearing

As previously mentioned in this letter of advice, the Board intends to apply the net proceeds from the Disposal towards other real estate development projects of the Group and repayment of the outstanding loans of the Group (including the Hua Rong Loan). Hence, the Directors expected that the Disposal would enhance the Group's cash flow and improve its gearing position.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after Completion Date.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Deputy Managing Director

Ms. Doris Sing is a licenced person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 14 years of experience in corporate finance.

* *For identification purpose only*

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 *RMB'000*
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		1,829,385
Current portion		3,891,593
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		1,231,008
Non-current portion		3,088,019
Total		6,979,612

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 certain 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 certain 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

The 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 the Group's consolidated statement of financial position for accounting period beginning on or after 1 January 2019. As at 31 May 2019, the Group had current and non-current lease liabilities which 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 Minshang 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; (v) the timely collection of proceeds from disposals of various assets of the Group including

a. the Disposal;

b. the disposal of Profit Concept Investments Limited as stated in the Company's published announcement dated 30 May 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

With the net proceeds received by the Group from the Disposal 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 loans of the Group.

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 30 April 2019 of the property interest to be disposed of by the Company.

JLL®
仲量聯行

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Company Licence No.: C-030171

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公司牌照號碼：C-030171

25 July 2019

The Board of Directors

SRE Group Limited

Suite 1001, 10th Floor
One Pacific Place
88 Queensway
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 a property in which Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("**Liaoning Gao Xiao**", a 97.5% owned subsidiary of the Company) has interest in the People's Republic of China (the "**PRC**"). 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 interest as at 30 April 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".

We have valued the property by the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Considering the holding purpose, the property is categorized in two groups in this report known as Group I — held for sale and Group II — held for future development.

For the purpose of our valuation, property interest held for sale is the portion that the Construction Work Completion and Inspection Certificates/Tables or Building Ownership Certificates/Real Estate Title Certificates thereof are issued by the relevant local authorities; and property interest held for future development is the portion that the Construction Work Commencement Permit is not issued while the State-owned Land Use Rights Certificate has been obtained.

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 and Practice Note 12 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 relied to a very considerable extent on the information given by the Company and Liaoning Gao Xiao and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Construction Work Planning Permits and Construction Work Commencement Permits and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors — Yingke Law Firm, concerning the validity of the property interest in the PRC.

We have not carried out detailed 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 29 and 30 January 2019 by Mr. Shawn Yang, who has obtained a master degree in finance with subjects in real estate finance and has 2 year's property valuation experience in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and Liaoning Gao Xiao. We have also sought confirmation from the Company and Liaoning Gao Xiao that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive 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 Renminbi (RMB).

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

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T. W. Yiu 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.

SUMMARY OF VALUES

Group I: Property interest held for sale in the PRC
Group II: Property interest held for future development in the PRC

Property	Market value in existing state as at the valuation date *RMB*	Market value in existing state as at the valuation date *RMB*	The total market value of the property in existing state as at the valuation date *RMB*
	Group I:	**Group II:**	
6 unsold retail units, 468 storage rooms, 881 car parking spaces and a parcel of vacant land of Project Shenyang Albany Garden (瀋陽雅賓利花園) located at the eastern side of Heping South Avenue Heping District Shenyang City Liaoning Province The PRC	390,000,000*(note)*	1,437,000,000	1,827,000,000*(note)*

Note: In the valuation of the property, we have attributed no commercial value to the 468 storage rooms of the property which do not have proper title certificates. However, for reference purpose, we are of the opinion that the market value of them as at the valuation date would be RMB26,000,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
6 unsold retail units, 468 storage rooms, 881 car parking spaces and a parcel of vacant land of Project Shenyang Albany Garden (瀋陽雅賓利花園) located at the eastern side of Heping South Avenue Heping District Shenyang City Liaoning Province The PRC	Project Shenyang Albany Garden is located at the central area of Heping District, which is one of the main urban areas of Shenyang City. The locality is well served by public transportation and there are also public facilities nearby. The project occupies 4 parcels of land with a total site area of approximately 158,540.61 sq.m. which will be developed into a residential development with retail units, storage rooms and car parking spaces, together having a total gross floor area ("**GFA**") of approximately 720,013.21 sq.m. The project was developed into four phases. Phase I, Phase II and Phase III-A of the project have been completed in various stages between 2011 and 2018, and Phase III-B and C of the project were vacant land except for 2 vacant buildings erected thereon to be demolished (refer to note 11) as at the valuation date. According to the information provided by Liaoning Gao Xiao, the property comprises 6 unsold retail units on Levels 1 to 3 of a 4-storey (including a basement level) retail building, 468 underground storage rooms and 881 underground car parking spaces of Phase II and Phase III-A which were completed in various stages between 2016 and 2018 (the "**completed portion**"), and also comprises the vacant land in Phase III-B and C with a site area of approximately 74,431.5 sq.m. Details of the GFA are set out in note 7. The land use rights of the property have been granted for a term of 50 years expiring on 11 December 2058 for residential and commercial service uses.	As at the valuation date, the completed portion of the property was vacant for sale, while the land parcel in Phase III-B and C was vacant for future development except for 2 buildings erected thereon which were to be demolished (refer to note 11).	1,827,000,000 *(refer to note 16)*

Notes:

1. Pursuant to 4 State-owned Land Use Rights Certificates — Shen Yang Guo Yong (2009) Di No. 0043, Shen Yang Guo Yong (2012) Di No. 0100, Shen Yang Guo Yong (2013) Di Nos. 0065 and 0066, the land use rights of 4 parcels of land with a total site area of approximately 158,540.61 sq.m., on which Project Shenyang Albany Garden (including the property) is located, have been granted to Liaoning Gao Xiao for a term of 50 years expiring on 11 December 2058 for residential and commercial service uses.

2. Pursuant to 3 Construction Work Planning Permits — Jian Zi Di Nos. 210100201300066, 210100201500025 and 210100201500001 in favour of Liaoning Gao Xiao, the construction works of Phase II and Phase III-A of Project Shenyang Albany Garden (including the completed portion of the property) with a total planned GFA of approximately 300,158.70 sq.m. have been approved for construction.

3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 210102201900007 in favour of Liaoning Gao Xiao, the construction works of Phase III-B and C of Project Shenyang Albany Garden with a planned GFA of approximately 286,676.35 sq.m. (representing a plot ratio accountable GFA of approximately 216,219.02 sq.m.) have been approved for construction.

4. Pursuant to 4 Construction Work Commencement Permits — Nos. 210100201309261701, 210100201401031601, 210100201506120901 and 210100201502040601 in favour of Liaoning Gao Xiao, permissions by the relevant local authority were given to commence the construction of Phase II and Phase III-A of Project Shenyang Albany Garden (including the completed portion of the property) with a total planned GFA of approximately 300,158.70 sq.m.

5. Pursuant to a Pre-sale Permit — Shen Fang Yu Shou Di No. 15034 in favour of Liaoning Gao Xiao, Liaoning Gao Xiao is entitled to sell 20 retail units (including the 6 retail units of the property) of Phase III-A of Project Shenyang Albany Garden, representing a total GFA of approximately 24,231.43 sq.m. to purchasers.

6. Pursuant to 8 Construction Work Completion and Inspection Tables in favour of Liaoning Gao Xiao, construction of various buildings of Phase II and Phase III-A of Project Shenyang Albany Garden (including the completed portion of the property) with a total GFA of approximately 295,675.83 sq.m. has been completed and passed the inspection acceptance.

7. According to the information provided by Liaoning Gao Xiao, details of the GFA/planned GFA of the property are set out as below:

Property	**Phase**	**Usage**	**GFA/Planned GFA (sq.m.)**	**No. of Car Parking Space**
Completed portion	Phase III-A	Retail	21,588.59	
	Phase II	Storage	4,243.14	
	Phase II	Car parking spaces	n/a	881
		Sub-total:	**25,831.73**	**881**
Vacant land	Phase III-B and C	Residential	206,554.96	
		Retail	9,368.00	
		Car parking spaces	43,661.78	1,650
		Ancillary	27,091.61	
		Sub-total:	**286,676.35**	**1,650**
		Grand total:	**312,508.08**	**2,531**

8. Pursuant to a Repayment Agreement — Hua Rong Hu Fen (2017) Zi Zi Di No. 108 Huan Kuan Di No. 1 dated on 12 December 2017 and a Mortgage Contract — Hua Rong Hu Fen (2017) Zi Zi Di No. 108 Di Ya Di No.4 entered into between China Huarong Asset Management Co., Ltd. Shanghai Branch and Liaoning Gao Xiao dated 25 April 2019, a retail unit with a GFA of approximately 18,526.6 sq.m. with the relevant apportioned land use rights (portion of Phase III-A) and the vacant land of Phase III-B and C (excluding the 2 vacant buildings erected thereon) of the property were subject to a mortgage for a mortgage term of 24 months commencing from 11 December 2017. The principal amount of the creditor's rights guaranteed by the mortgage is RMB398,000,000.

9. The market value of the vacant land of the property as if completed as at the valuation date was estimated to be RMB4,000,000,000.

10. For the 468 underground storage rooms of the property, we have not been provided with any title certificates or pre-sale permits. As advised by Liaoning Gao Xiao, these storage rooms of the property can not obtain title certificates.

11. According to the information provided by the Company and Liaoning Gao Xiao, there are still 2 vacant buildings erected on the land of Phase III-B and C of the project which will be demolished within 3 months after the Sale and Purchase Agreement becoming effective. The estimated resettlement and demolition cost of these buildings is approximately RMB80,000,000. This resettlement and demolition cost with the relevant deed tax will be paid by the Company. In our valuation of the property, we have not considered the aforesaid resettlement and demolition cost and the relevant tax, and have assumed that the land of Phase III-B and C of the project was clear and vacant site as at the valuation date.

12. According to the information provided by the Company, Liaoning Gao Xiao (as lessor) entered into a tenancy agreement dated 26 June 2013 with Shenyang Carrefour Commercial Co., Ltd. (as lessee) in respect of leasing portion of Phase III-A with a total GFA of approximately 17,036 sq.m. to the lessee after the building has been completed. However, such tenancy agreement has not been performed by both parties. The Company agreed to arrange the signing of cancellation agreement in respect of such tenancy agreement before 31 December 2019 and be responsible for any loss or compensation (if any) in respect of such cancellation. In our valuation of the property, we have not taken into account the tenancy agreement and the cancellation agreement and such portion of property was valued on vacant possession basis.

13. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Liaoning Gao Xiao is the developer of Project Shenyang Albany Garden;

    b. Liaoning Gao Xiao has legally obtained the land use rights of Phase III-A and Phase III-B and C of the property and entitled to develop, mortgage, lease, transfer, use or otherwise dispose of the land parcel of Phase III-B and C and the 6 retail units of Phase III-A of the property;

    c. The 881 car parking spaces of the property are legally constructed by Liaoning Gao Xiao. Although the title of them cannot be registered, except for mortgage, it will not affect Liaoning Gao Xiao to lease, occupy, use or otherwise dispose of the car parking spaces of the property; and

    d. The 468 underground storage rooms were additionally constructed by Liaoning Gao Xiao after Phase II of Project Shenyang Albany Garden was completed. Therefore, there may be legal impediment for Liaoning Gao Xiao to apply for the planning and title registration for the storage rooms, and may affect transfer and mortgage of these storage rooms. It is recommended that the occupation and use of these storage rooms shall be skilfully taken by Liaoning Gao Xiao. However, the building materials in the construction of the storage rooms are the legal assets of Liaoning Gao Xiao.

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

a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB14,000 to RMB17,500 per sq.m. for residential units, RMB23,000 to RMB26,000 per sq.m. for retail units on the first floor, RMB5,500 to RMB6,500 per sq.m. for storage rooms and RMB151,500 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in time, level and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property; and

b. we have also made reference to sales prices of land within the locality. The accommodation values of these comparable land sites range from RMB5,900 to RMB8,100 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, time, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

15. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Work Planning Permit	Yes
c.	Construction Work Commencement Permit (for the completed portion only)	Yes
d.	Pre-sale Permit	Portion
e.	Construction Work Completion and Inspection Certificate/Table (for the completed portion only)	Yes
f.	Real Estate Title Certificate	N/A

16. For the purpose of this report, the property is classified into the following groups according to the holding purpose. We are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *RMB*
Group I — held for sale	390,000,000*
Group II — held for future development	1,437,000,000
Total:	**1,827,000,000***

* In the valuation of the property, we have attributed no commercial value to the 468 storage rooms of the property which do not have proper title certificates. However, for reference purpose, we are of the opinion that the market value of them as at the valuation date would be RMB26,000,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

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 Company. 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

2.1 Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors and the 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 are 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 positions in the Shares and underlying Shares

Name of Director	Personal interests	Family interests	Total	Approximate percentage of shareholding
Peng Xinkuang	112,000,000 *(Note 1)*	—	112,000,000	0.54%
Zhu Qiang	84,000,000 *(Note 1)*	—	84,000,000	0.41%
Qin Wenying	84,000,000 *(Note 1)*	—	84,000,000	0.41%
Chen Donghui	56,000,000 *(Note 1)*	—	56,000,000	0.27%
Zhuo Fumin	—	160,000 *(Note 2)*	160,000	0.0008%
Jiang Chuming	500,000	—	500,000	0.0024%

Notes:

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 in this paragraph 2.1 of this appendix, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or 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 and short positions which they are 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.

2.2 Interests of Substantial Shareholders

After making all reasonable enquiries by the Company, 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	Notes	Number of issued ordinary shares (Sub-total)	Approximate percentage of shareholding (Sub-total)	Number of issued ordinary shares (Total)	Approximate percentage of shareholding (Total)
China Minsheng Investment Corp., Ltd.	Interest in controlled corporation	*i*			15,419,951,128	74.98%
China Minsheng Jiaye Investment Co., Ltd.	Interest in controlled corporation	*i*			15,419,951,128	74.98%
Jiashun (Holding) Investment Limited	Beneficial owner	*ii*			12,500,000,000	60.78%
Zhi Tong Investment Limited Partnership	Beneficial owner	*iii*			2,022,761,390	9.84%

Name of Shareholder	Capacity	Notes	Number of issued ordinary shares (Sub-total)	Approximate percentage of shareholding (Sub-total)	Number of issued ordinary shares (Total)	Approximate percentage of shareholding (Total)
Jia Yun Investment Limited					2,889,659,128	14.05%
	Person having a security interest in shares		866,897,738	4.21%		
	Interest in controlled corporation	*iv*	2,022,761,390	9.84%		
Shi Jian					2,902,666,119	14.11%
	Beneficial owner		13,006,991	0.06%		
	Interest in controlled corporation	*iv, v*	2,889,659,128	14.05%		
Si Xiao Dong					2,889,661,452	14.05%
	Beneficial owner		2,324	0.00%		
	Interest in controlled corporation	*iv, v*	2,889,659,128	14.05%		
SRE Investment Holding Limited					2,889,659,128	14.05%
	Beneficial owner	*vi*	866,897,738	4.21%		
	Interest in controlled corporation	*ii, iii*	2,022,761,390	9.84%		
Regal Glory Limited	Interest in controlled corporation	*ii, iii*			2,022,761,390	9.84%
Starite International Limited	Interest in controlled corporation	*ii, iii*			2,022,761,390	9.84%
Sun Lu Dong	Nominee for another person (other than a bare trustee)	*ii, iii*			2,022,761,390	9.84%
Pau Shing Kwan	Nominee for another person (other than a bare trustee)	*ii, iii*			2,022,761,390	9.84%

Notes:

i. China Minsheng Investment Corp., Ltd. holds a 67.40% direct interest in China Minsheng Jiaye Investment Co., Ltd.. Each of China Minsheng Investment Corp., Ltd. and China Minsheng Jiaye Investment Co., Ltd. is deemed to be interested in the Shares directly held or interested in by (a) Jiashun (Holding) Investment Limited (12,500,000,000 Shares), (b) Zhi Tong Investment Limited Partnership (2,022,761,390 Shares), (c) Jia Yun Investment Limited (866,897,738 Shares) and (d) Jiayou (International) Investment Limited (30,292,000 Shares) for the purposes of Part XV of the SFO.

ii. Jia Yun Investment Limited is indirectly 100% owned by China Minsheng Investment Corp., Ltd. Jia Yun Investment Limited holds 60% direct interests in Jiazhi Investment Limited which, in turn holds 60% interests in Zhi Tong Investment Limited Partnership. Therefore, each of Jia Yun Investment Limited and Jiazhi Investment Limited is deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership for the purposes of Part XV of the SFO.

    The remaining 40% interests of Jiazhi Investment Limited is held by Starite International Limited. 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, each of Starite International Limited, Mr. Pau Shing Kwan, Regal Glory Limited, Mr. Sun Lu Dong and SRE Investment Holding Limited is deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership for the purposes of Part XV of the SFO.

iii. These Shares are held by Zhi Tong Investment Limited Partnership. 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.

iv. These Shares are held by Jiashun (Holding) Investment Limited. Jiashun (Holding) Investment Limited is 100% directly owned by Jiasheng (Holding) Investment Limited, which is in turn 100% directly owned by Jiaxin Investment (Shanghai) Co., Ltd.. Jiaxin Investment (Shanghai) Co., Ltd. is 100% directly owned by China Minsheng Jiaye Investment Co., Ltd. which is in turn 67.40% owned by China Minsheng Investment Corp., Ltd.. Therefore, each of Jiasheng (Holding) Investment Limited, Jiaxin Investment (Shanghai) Co., Ltd., China Minsheng Jiaye Investment Co., Ltd. and China Minsheng Investment Corp., Ltd. is deemed to be interested in the Shares held by Jiashun (Holding) Investment Limited for the purposes of Part XV of the SFO.

v. As each of Mr. Shi Jian and Madam Si Xiao Dong owns more than 30% 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.

vi. 866,897,738 Shares held by SRE Investment Holding Limited are charged to Jia Yun Investment Limited. SRE Investment Holding Limited retains the voting rights of Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying

Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

2.3 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 chief executive and vice-chairman 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, other than contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had 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 are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, neither the Directors nor their respective close associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. EXPERT AND CONSENT

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
VBG	a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of JLL and VBG has given and has not withdrawn its written consent to the issue of this circular with inclusion herein of its letter or report and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of JLL and VBG did not have any interest in the share capital of any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of JLL and VBG did not have any interest, direct or indirect, in any assets which have been, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

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:

(a) an entrustment agreement dated 4 December 2017 and entered into by 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, in relation to the trustee's implementation of the land redevelopment procedures for the land parcel with a site area of approximately 143,333 m^2 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;

(b) 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;

(c) a loan receivable transfer agreement dated 19 April 2018 entered into by SRE Jiaye Real Estate Development (Shanghai) Co., Ltd. (上置嘉業房地產發展(上海)有限公司), an indirect wholly-owned subsidiary of the Company and Shanghai Dai Yong Industrial Co., Ltd. (上海戴永實業有限公司), 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;

(d) a sale and purchase agreement dated 3 May 2018 entered into by Sinopower Investment Limited (華通投資有限公司) (a direct wholly-owned subsidiary of the Company) ("**Sinopower**"), Ronghe International Group Limited (榮和國際集團有限公司) (an independent third party) ("**Ronghe**") and Profit Concept Investments Limited (潤斯投資有限公司) (an indirect wholly-owned subsidiary of the Company on 3 May 2018) ("**Profit Concept**"), 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 and 50% of the total outstanding shareholder loan then due from Profit Concept to Sinopower 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;

(e) a capital injection agreement dated 15 May 2018 entered into by Shangzhi Asset Management (Shanghai) Co., Ltd. (上置資產管理(上海)有限公司) (a connected person of the Company at the subsidiary level), Shanghai Yidong Investment Management Co., Ltd. (上海意動投資管理有限公司) (an indirect wholly owned subsidiary of the Company), the Company and Shanghai Lake Malaren Hospital Investment Co., Ltd. (上海美蘭湖醫院投資有限公司) (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;

(f) a sale and purchase agreement dated 28 June 2018 and entered into by Shanghai Jinxin Real Estate Co., Ltd. (上海金心置業有限公司) (a non-wholly owned subsidiary of the Company), and Shanghai Xiangfu Real Estate Development Co., Limited (上海湘府房地產開發有限公司) (a connected person of the Company) pursuant to which, among other things, 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;

(g) a sale and purchase agreement dated 5 December 2018 entered into by Shanghai Oasis Garden Real Estate Co., Ltd. (上海綠洲花園置業有限公司) (a subsidiary of the Company), China Aviation Trust Co., Ltd. (中航信託股份有限公司) and a limited partnership enterprise ("**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;

(h) an agreement dated 30 May 2019 entered into by Sinopower, Ronghe (now a connected person of the Company at the subsidiary level), Well Win Holding Trading Limited (佳成控股貿易有限公司) (an independent third party) and Profit Concept in relation to the disposal of the remaining 51.1% of the equity interest held by Sinopower in Profit Concept for a total consideration of approximately £31,759,303.62, further details are set out in the announcement of the Company dated 30 May 2019; and

(i) the Sale and Purchase Agreement.

9. GENERAL

(a) 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.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business in Hong Kong is Suite 1001, 10th Floor, One Pacific Place, 88 Queensway Hong Kong.

(c) 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.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) 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 the date of the SGM:

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

(b) the annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018;

(c) the letter from the Independent Financial Adviser;

(d) the letter from the Independent Board Committee;

(e) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(f) the property valuation report prepared by the Valuer, the text of which is set out in Appendix II to this circular;

(g) the written consents referred to in the paragraph headed "Experts and consents" in this appendix;

(h) the Sale and Purchase Agreement;

(i) the circular issued by the Company dated 12 July 2019; and

(j) this circular.

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**Meeting**") of SRE Group Limited ("**Company**") will be held at Admiralty Conference Centre, Room 1804A, 18th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 13 August 2019 at 2:30 p.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the sale and purchase agreement dated 11 June 2019 ("**Sale and Purchase Agreement**") entered into among the following parties:

(1) Konmen Investment Limited (康明投資有限公司) and 瀋陽綠怡酒店管理有限公司 (Shenyang Luyi Hotel Management Co., Ltd.*), both indirect wholly-owned subsidiaries of the Company;

(2) 上海亞羅企業管理合夥企業(有限合夥) (Shanghai Ya Luo Enterprise Management Partnership (Limited Partnership)*);

(3) Hong Kong Chong Dei Company Limited (香港創地有限公司) and 瀋陽瑞光貿易有限公司 (Shenyang Ruiguang Trading Co., Ltd.*); and

(4) 遼寧高校後勤集團房地產開發有限公司 (Liaoning Gao Xiao Support Group Property Development Co., Ltd.*),

in relation to the transactions contemplated under the Sale and Purchase Agreement and in connection therewith ("**Transactions**"), the details of which have been set out in the circular of the Company dated 25 July 2019 (a copy of which is marked "A" and signed by the chairman of the meeting for identification purpose and has been tabled at the meeting), be and are hereby approved, confirmed and ratified; and

* *For identification purpose only*

(b) the authorisation to any one of the directors of the Company ("**Director(s)**"), or any other person authorised by the board of Director(s) ("**Board**") from time to time, for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things and take all such steps as he or she or they may in his or her or their absolute discretion consider to be necessary, expedient, desirable or appropriate to give effect to and implement the Sale and Purchase Agreement and the Transactions and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Sale and Purchase Agreement and the Transactions, which are not fundamentally different from those as provided in the Sale and Purchase Agreement and the Transactions as are, in the opinion of such Director, in the interest of the Company and its shareholders as a whole, be and are hereby approved, confirmed and ratified."

2. "**THAT** Ms. Jiang Chuming be re-elected as an executive director of the Company."

On behalf of the Board
SRE GROUP LIMITED
Peng Xinkuang
Chairman and Chief Executive Officer

25 July 2019

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

Notes:

1. A member of the Company entitled to attend and vote at the Meeting or any adjourned meeting thereof convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

3. Completion and return of the proxy form shall not preclude a member from attending and voting in person at the Meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), all votes of the shareholders of the Company must be taken by poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

5. Where there are joint registered holders of any shares of the Company, any one of such joint holders may vote either in person or by proxy in respect of such shares of the Company as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

As at the date of this notice, the board of directors of the Company comprises six executive directors of the Company, namely Mr. Peng Xinkuang, Mr. Chen Donghui, Mr. Zhu Qiang, Ms. Qin Wenying, Mr. Jiang Qi and Ms. Jiang Chuming; and four independent non-executive directors of the Company, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Ma Lishan and Mr. Han Gensheng.