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If you have sold or transferred all your shares in **SRE Group Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

**MAJOR TRANSACTION
DEBT ASSIGNMENT DOCUMENTS**

A letter from the Board is set out on pages 6 to 27 of this circular.

* For identification purpose only

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DEFINITIONS

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

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| “Board” | the board of Directors |
| “Business Day” | any day (other than a Saturday or Sunday or general public holiday in the PRC, except any Saturday or Sunday designated as a working day by the State Council of the 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 |
| “China Orient” | China Orient Asset Management Company Limited (Hainan Branch)* (中國東方資產管理股份有限公司海南省分公司), a branch set up in Hainan by China Orient Asset Management Company Limited* (中國東方資產管理股份有限公司) (a limited liability company incorporated in the PRC) |
| “Completion” | completion of the Transaction in accordance with the terms of the Creditor’s Rights Transfer Agreement |
| “Completion Date” | has the meaning ascribed to it in the paragraph headed “Completion” in the section headed “Letter from the Board” in this circular |
| “Conditions Precedent” | the conditions precedent to the Creditor’s Rights Transfer Agreement |
| “Creditor’s Rights Transfer Agreement” | the agreement to be entered into among Shanghai Oasis, China Orient, the Debtors Group and Mr. Wang pursuant to the Pre-contract of Creditor’s Rights Transfer in relation to the assignment of the Debts |
| “Custodian Bank” | the sub-branch of ICBC in Haidian, Haikou City, the PRC |
| “Debtor 1” | Haikou Century Harbour City Real Estate Company Limited* (海口世紀海港城置業有限公司), a limited liability company incorporated in the PRC |
| “Debtor 2” | Haikou Luchuang Real Estate Company Limited* (海口綠創置業有限公司), a limited liability company incorporated in the PRC |

DEFINITIONS

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| “Debtor 3” | Hainan Guosheng Investment Co., Ltd.* (海南國升投資有限公司), a limited liability company incorporated in the PRC |
| “Debtor 4” | Huoguoosi Rui Hong Equity Investment Company Limited* (霍爾果斯銳鴻股權投資有限公司), a limited liability company incorporated in the PRC |
| “Debtors Group” | Debtor 1, Debtor 2, Debtor 3, Debtor 4 and Mr. Wang |
| “Debts” | the First Litigation Debt; the Arbitration Award Debt; and the Second Litigation Debt |
| “Debt Assignment Documents” | the First Debt Confirmation Letter, the Second Debt Confirmation Letter, the Mediation Agreement, the Pre-contract of Creditor’s Rights Transfer, the Third Debt Confirmation Letter, the Final Debt Confirmation Agreement, the Creditor’s Rights Transfer Agreement, the Financial Compensation Agreement and the Escrow Agreement |
| “Debtor 1 Loan Memorandum” | the memorandum dated 18 November 2015 and entered into between the Company; Shanghai Oasis; Debtor 3; Debtor 4; and Debtor 1, pursuant to which Debtor 4 shall pay RMB215 million into the Joint Account, of which RMB131 million shall be used to repay the overdue loans and interest of Debtor 1 |
| “Debtor 3 Loan Agreement” | the loan agreement dated on or around 18 November 2015 and entered into between Shanghai Oasis; Debtor 3; and Mr. Wang, pursuant to which Shanghai Oasis provided a loan in the amount of RMB20 million to Debtor 3 for a term of one month at the interest rate of 12% per annum |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the disposal of 80% equity interests in Debtor 1 by Shanghai Oasis to Debtor 4 |
| “Equity Transfer Agreement” | the equity transfer agreement dated 9 February 2015 and entered into between Shanghai Oasis (as transferor), Debtor 4 (as transferee) and Debtor 1 (as target company) in relation to the Disposal |
| “Escrow Account” | the bank account for the payment of the Consideration as set forth in the Escrow Agreement |

DEFINITIONS

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| “Escrow Agreement” | the escrow agreement to be signed at the same time as the Creditor’s Rights Transfer Agreement by Shanghai Oasis, China Orient and the Custodian Bank |
| “Escrow End Date” | the end date of the escrow period (or such extended period) pursuant to the Escrow Agreement |
| “Financial Compensation Agreement” | the financial compensation agreement to be entered into at the same time as the Creditor’s Rights Transfer Agreement by Shanghai Oasis, Debtor 3, Mr. Wang and Shanghai Wensheng |
| “First Debt Confirmation Letter” | the confirmation letter dated 30 September 2020 and signed by Shanghai Oasis, Debtor 1, Debtor 2 and Debtor 4 in relation to the First Litigation Debt |
| “First-Stage Agreements” | the First Debt Confirmation Letter; the Second Debt Confirmation Letter; the Mediation Agreement; and the Pre-contract of Creditor’s Rights Transfer |
| “Final Debt Confirmation Agreement” | the confirmation letter to be signed at the same time as the Creditor’s Rights Transfer Agreement by Shanghai Oasis, the Debtors Group and Mr. Wang, in relation to the First Litigation Debt, the Arbitration Award Debt and the Second Litigation Debt |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “ICBC” | Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability |
| “Independent Third Party” | third party independent of the Company and its connected persons (as defined in the Listing Rules) |
| “Jiashun Holding” | 嘉順(控股)投資有限公司 (Jiashun (Holding) Investment Limited), a company incorporated in Hong Kong and the controlling shareholder of the Company |
| “Latest Practicable Date” | 29 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

DEFINITIONS

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| “Long-stop Date” | two months’ from the date of the Creditor’s Rights Transfer Agreement |
| “Mediation Agreement” | the mediation agreement dated 30 September 2020 and entered into between Shanghai Oasis and Debtor 4 |
| “Mortgage Contract of Maximum Amount” | the contract entered into between Debtor 1 and China Orient, pursuant to which China Orient shall provide Debtor 1 with loans and assist in its debt repayment, guaranteed by mortgage of land under Debtor 1’s name |
| “Mr. Wang” | Wang Dongsheng* (王東升) |
| “Parties” | Shanghai Oasis, China Orient, the Debtors Group, Mr. Wang |
| “PRC” | the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Pre-contract of Creditor’s Rights Transfer” | the pre-contract to the Creditor’s Rights Transfer Agreement, dated 30 September 2020 and entered into among Shanghai Oasis, China Orient, the Debtors Group and Mr. Wang |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Second Debt Confirmation Letter” | the confirmation letter dated 30 September 2020 and signed by Shanghai Oasis, Debtor 4 and Mr. Wang in relation to the Arbitration Award Debt |
| “SFO” | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| “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 |
| “Shanghai Wensheng” | Shanghai Wensheng Asset Management Company Limited* (上海文盛資產管理股份有限公司), a company incorporated in the PRC |
| “Shanghai Wingo” | Shanghai Wingo Infrastructure Company Limited (上海永高建設有限公司), an indirect wholly-owned subsidiary of the Company |

DEFINITIONS

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| “Shanghai Wingo Debt” | the outstanding payment in the aggregate amount of RMB12.4 million owed to Shanghai Wingo by Debtor 1 pursuant to certain electrical works agreements entered into between Shanghai Wingo and Debtor 1 by which Shanghai Wingo provided certain electrical works services to Debtor 1 |
| “Shares” | ordinary shares of HK\$0.10 each in the capital of the Company |
| “Shareholders” | registered holders of the Shares from time to time |
| “SHIAC” | Shanghai International Economic and Trade Arbitration Commission |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Third Debt Confirmation Letter” | the confirmation letter to be signed at the same time as the Creditor’s Rights Transfer Agreement by Shanghai Oasis, and Debtor 4 in relation to the Second Litigation Debt |
| “Transaction” | the assignment of the Debts |
| “Zhuhai Cang Shan” | Zhuhai Cangshan Honghao Investment Management Center (Limited Partnership)* (珠海藏山弘皓投資管理中心(有限合夥)), a limited partnership formed in the PRC |
| “%” | per cent |
| “£” | pound sterling, the lawful currency of the United Kingdom |

LETTER FROM THE BOARD



SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

Board of Directors:

Mr. Hong Zhihua (*Chairman*)

Mr. Zhu Qiang

(Acting Chief Executive Officer)

Ms. Qin Wenying

Mr. Jiang Qi

Ms. Jiang Chuming

Mr. Zhuo Fumin*

Mr. Chan, Charles Sheung Wai*

Mr. Ma Lishan*

* *independent non-executive Directors*

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business in Hong Kong:*

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Admiralty Centre Tower 2

18 Harcourt Road

Admiralty

Hong Kong

31 December 2020

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION DEBT ASSIGNMENT DOCUMENTS

INTRODUCTION

Reference is made to the announcement of the Company dated 4 October 2020.

The purpose of this circular is to provide you with (i) further information on the Debt Assignment Documents and the Transaction; and (ii) other information required to be disclosed under the Listing Rules.

LETTER FROM THE BOARD

BACKGROUND

The Equity Transfer Agreement

Debtor 1 (subsequently demerged to form Debtor 1 and Debtor 2) was a joint venture established by Shanghai Oasis and Debtor 3, which held 80% and 20% of its equity interest respectively, to develop land parcels in Haikou city, the PRC prior to the completion of the Disposal.

In February 2015, Shanghai Oasis (as transferor), Debtor 4 (as transferee) and Debtor 1 (as target company) entered into the Equity Transfer Agreement pursuant to which Shanghai Oasis has agreed to sell to Debtor 4 (i) its 80% equity interest in Debtor 1 at the consideration of RMB176 million and (ii) its shareholders' loan owed by Debtor 1 in the amount of RMB199 million at face value. In addition, pursuant to the Equity Transfer Agreement, Debtor 4 has also agreed to pay to Shanghai Oasis a sum of RMB69 million as consultancy fee. Accordingly, pursuant to the Equity Transfer Agreement, Debtor 4 shall pay to Shanghai Oasis an aggregate amount of RMB444 million.

Pursuant to the Equity Transfer Agreement,

- (i) RMB10 million shall be payable upon signing of the Equity Transfer Agreement as deposit;
- (ii) RMB9 million of the consultancy fee shall be payable upon 2 working days after the signing of the Equity Transfer Agreement;
- (iii) RMB225 million (inclusive of the RMB10 million deposit) shall be payable by Debtor 4 into a joint account under Shanghai Oasis's name and operated by Shanghai Oasis and Debtor 4 ("**Joint Account**") within 7 working days after it has been opened ("**First Instalment**"). The account shall be opened within 3 working days after Shanghai Oasis, Debtor 4 and Debtor 1 have obtained consent to the equity transfer from relevant parties, which shall be done within 60 days of signing of the Equity Transfer Agreement;
- (iv) Shanghai Oasis shall procure completion of the equity transfer procedures within 30 working days of the Equity Transfer Agreement becoming effective. Debtor 4 shall issue payment instruction for the RMB225 million to be paid out to Shanghai Oasis upon completion of the industrial and commercial registration of changes for the equity transfer and the registration of changes of the legal representative, directors and supervisors;
- (v) RMB150 million shall be payable by Debtor 4 to Shanghai Oasis within 60 working days after evaluation of the construction fees of the hotel ("**Hotel**") on a parcel of land in Haikou city, the PRC, held under the name of Debtor 1 ("**Land**") has been completed but in any event no later than 9 months after the Equity Transfer Agreement has been signed; and

LETTER FROM THE BOARD

- (vi) RMB60 million of the consultancy fee shall be payable upon the Hotel becoming operational.

In January 2016, the Disposal was completed and the Group ceased to have any interest in Debtor 1.

According to the terms of the Equity Transfer Agreement, the consultancy fee of RMB69 million related to a disposal of Haikou New Bund Development Co., Ltd. (“**New Bund**”) by an Independent Third Party. According to the annual report of the Company for the year ended 31 December 2012, New Bund was a company owned as to 80% by Shanghai Oasis and 20% by Debtor 3. In September 2012, the Group and Debtor 3 entered into an agreement to sell New Bund to such Independent Third Party buyer and the disposal was completed in November 2012.

As all executive directors of the Board during the time when the Equity Transfer Agreement was entered into already left the Company, other than the above information, it is now uncertain why the amount of RMB69 million shall be payable by Debtor 4 to Shanghai Oasis as consultancy fee under the Equity Transfer Agreement.

The Disputes

The Debts relate to certain amounts owed by the Debtors Group to Shanghai Oasis in connection with the Equity Transfer Agreement and the Disposal which were in disputes over the years, details of these disputes are set out below. Over the past years, Shanghai Oasis has commenced or defended various court cases in the PRC to protect its interests in the Debts. For the reasons set out in the paragraph headed “Reasons for and benefits of the Transaction” below, Shanghai Oasis has decided to conclude the disputes and assign the Debts to China Orient.

The Debt Assignment Documents

On 30 September 2020, Shanghai Oasis entered into the First-Stage Agreements (i.e. First Debt Confirmation Letter, the Second Debt Confirmation Letter, the Mediation Agreement and the Pre-contract of Creditor’s Rights Transfer), and upon fulfilling certain conditions as more particularly disclosed below, Shanghai Oasis will enter into the remaining Debt Assignment Documents (i.e. the Third Debt Confirmation Letter, the Final Debt Confirmation Agreement, the Creditor’s Rights Transfer Agreement, the Escrow Agreement and the Financial Compensation Agreement).

DEBT ASSIGNMENT DOCUMENTS

Principal terms of each of the Debt Assignment Documents are set out below:

(1) FIRST DEBT CONFIRMATION LETTER

Date

30 September 2020

LETTER FROM THE BOARD

Parties

Shanghai Oasis, Debtor 1, Debtor 2 and Debtor 4

Background

After the parties had entered into the Equity Transfer Agreement and Debtor 4 had paid a deposit of RMB10 million, Debtor 4 requested that out of the First Instalment in the amount of RMB215 million to be paid, RMB131 million shall be lent to Debtor 1 to repay Debtor 1's overdue bank loans ("**Debtor 1 Loan**") and RMB20 million shall be lent to Debtor 3 ("**Debtor 3 Loan**"), both for a one-month term.

The purpose of Debtor 1 Loan was to repay Debtor 1's overdue bank loans. The bank loans of Debtor 1 (which at that time was still a subsidiary of the Company) had already been overdue at that time, and the Group was a guarantor of such overdue bank loan. If Debtor 1 did not repay the overdue bank loans, it would have significant adverse impact on the Group's credit rating and ability in obtaining bank loans in the future.

If Shanghai Oasis agreed to Debtor 4's request to provide the Debtor 1 Loan and Debtor 3 Loan, Shanghai Oasis could at least immediately receive RMB64 million from the First Instalment which could immediately replenish the cash of the Group which was tight at that time, and the adverse impact on the Group arising from default in bank loans could be avoided.

If Shanghai Oasis did not agree to Debtor 4's request to provide the Debtor 1 Loan and Debtor 3 Loan, Debtor 4 may postpone or even default in the payment of almost the entire First Instalment.

The Group also considered the repayment ability of Debtor 1 and Debtor 3 before agreeing to Debtor 4's request. Debtor 1 had considerable amount of assets (i.e. the Land). To further safeguard the interest of the Group in providing the Debtor 1 Loan and Debtor 3 Loan, the Group had also requested Debtor 1 and Debtor 4 to provide joint and several guarantee in respect of Debtor 1 Loan and requested Mr. Wang to provide personal guarantee in respect of Debtor 3 Loan.

Having considered the above reasons and safeguard measures, the Group considered that the granting of the Debtor 1 Loan and Debtor 3 Loan was fair and reasonable and in the interest of the Group at that time. Therefore, the parties had agreed to the request of Debtor 4 and signed the Debtor 1 Loan Memorandum and Debtor 3 Loan Agreement in November 2015.

The Debtor 1 Loan and the Debtor 3 Loan were not repaid on time. Shanghai Oasis commenced proceedings against the counterparties and obtained favourable judgments in respect of both the loans. The First Confirmation Letter concerns the judgment in respect of the Debtor 1 Loan.

LETTER FROM THE BOARD

On 27 December 2017, the Supreme People's Court of the PRC ruled in favor of Shanghai Oasis in respect of the Debtor 1 Loan, whereby it was held, that:-

- (a) Debtor 1 shall repay to Shanghai Oasis the loan principal in the amount of RMB131,040,000 and interest accrued up to the date of actual repayment;
- (b) Debtor 2 and Debtor 4 shall assume joint liability and guarantee Debtor 1's debt described in (a) above; and
- (c) Debtor 1 shall bear 90% of the litigation fee of the first and second instance of the litigation.

Subject matter

Pursuant to the First Debt Confirmation Letter, Shanghai Oasis, Debtor 1, Debtor 2 and Debtor 4 agree and confirm that Debtor 1, Debtor 2 and Debtor 4 owe Shanghai Oasis a total amount of approximately RMB193,019,500 as at 24 September 2020 ("**First Litigation Debt**").

(2) SECOND DEBT CONFIRMATION LETTER

Date

30 September 2020

Parties

Shanghai Oasis, Debtor 3 and Mr. Wang

Background

The Second Confirmation Letter concerns the judgment in respect of the Debtor 3 Loan.

On 12 January 2017, Shanghai Oasis filed a written arbitration request with SHIAC against Debtor 3 and Mr. Wang, claiming that they had failed to fulfill the obligations they had undertaken pursuant to the Debtor 3 Loan arrangement. On 26 June 2017, SHIAC ruled in favor of Shanghai Oasis in respect of the Debtor 3 Loan provided by Shanghai Oasis to Debtor 3 and Mr. Wang, whereby it was held that:-

- (a) Debtor 3 shall repay to Shanghai Oasis the loan principal in the amount of RMB20,000,000, interest and default payment, both accrued up to the date of actual repayment;
- (b) Debtor 3 shall repay to Shanghai Oasis the legal cost, arbitration fee and property preservation fee; and

LETTER FROM THE BOARD

- (c) Mr. Wang shall assume liability and guarantee Debtor 3's debt described in (a) and (b) above.

Subject matter

Pursuant to the Second Debt Confirmation Letter, Shanghai Oasis, Debtor 3 and Mr. Wang agree and confirm that Debtor 3 and Mr. Wang owe Shanghai Oasis a total amount of approximately RMB39,674,400 as at 24 September 2020 ("**Arbitration Award Debt**").

(3) MEDIATION AGREEMENT

Date

30 September 2020

Parties

Shanghai Oasis and Debtor 4

Background

The Mediation Agreement concerns the settlement of the amount payable by Debtor 4 to Shanghai Oasis pursuant to the Equity Transfer Agreement RMB(444-215-10) million = RMB219 million ("**Remaining Consideration**").

Debtor 4 commenced proceedings against Shanghai Oasis in respect of the Disposal ("**Court Proceedings**"). The claim amount consisted of:-

- (1) an alleged construction price exaggeration of the Hotel on the Land in the amount of approximately RMB294 million;
- (2) allegedly undisclosed taxes of Debtor 1 in the amount of approximately RMB19 million; and
- (3) allegedly undisclosed debts of Debtor 1 in the amount of approximately RMB113.1 million.

Shanghai Oasis raised counterclaim against Debtor 4 in respect of the Remaining Consideration in the Court Proceedings ("**Counterclaim**").

On 6 April 2020, Haikou Intermediate People's Court of the PRC ("**Haikou Intermediate Court**") ruled that only item (3) above in the Court Proceedings would be allowed as Debtor 4 failed to produce enough evidence to substantiate items (1) and (2) above. Haikou Intermediate Court also ruled that in addition to item (3) above, there should be an additional undisclosed construction work disputes of Debtor 1 in the amount of approximately RMB51.6 million. Therefore, Debtor 4's claim was allowed to the extent of approximately RMB(113.1+51.6) million = RMB164.7 million.

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Haikou Intermediate Court also ruled that the Counterclaim was allowed to the extent of RMB159 million out of RMB219 million because the condition before the remaining RMB60 million shall be paid had not been met. Therefore, Shanghai Oasis was ordered to pay Debtor 4 a net amount of approximately RMB(164.7-159) million = RMB5.7 million (“**Haikou Judgment**”).

Shanghai Oasis is in the process of appealing the Haikou Judgment to the Hainan Provincial Higher People’s Court of the PRC (“**Appeal**”, “**Hainan Higher Court**”). The Appeal seeks to overturn the Haikou Judgment such that all of Debtor 4’s claims are thrown out and judgment is made in favor of Shanghai Oasis in respect of the Counterclaim and liquidated damages for Debtor 4’s breach of the Equity Transfer Agreement.

Subject matter

Pursuant to the Mediation Agreement, Shanghai Oasis and Debtor 4 agree that:–

- (a) Debtor 4 shall renounce all its claims under the Haikou Judgment;
- (b) Debtor 4 shall pay a sum of RMB219,000,000 to Shanghai Oasis as mediation settlement in respect of Shanghai Oasis’ Counterclaim and Appeal (“**Mediation Settlement**”); and
- (c) Upon payment of the Mediation Settlement, Debtor 4 and Shanghai Oasis shall have no claim against each other in respect of the Disposal and the Court Proceedings;

Other terms

- (a) Debtor 4 shall pay the Mediation Settlement to Shanghai Oasis’s designated bank account by way of bank of transfer within 45 Business Days;
- (b) Debtor 4 and Shanghai Oasis shall bear their own litigation fees, property preservation fees and all other relevant costs;
- (c) Debtor 4 and Shanghai Oasis shall lodge the Mediation Agreement with the Hainan Higher Court within 3 Business Days of signing of the Mediation Agreement and receiving the notice of acceptance from the Hainan Higher Court in respect of the Appeal and request the issuance of the civil mediation order by collegiate body of judges in accordance with the terms of the Mediation Agreement (“**Civil Mediation Order**”); and
- (d) Shanghai Oasis shall apply to the Haikou Intermediate Court or any other court with jurisdiction to release all property preservation measures against Debtor 4’s property within 3 Business Days upon the issuance and receipt of the Civil Mediation Order.

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The Mediation Agreement has been lodged with the Hainan Higher Court and the court is currently processing the Civil Mediation Order. It is expected that the Civil Mediation Order will be issued by the end of December 2020.

(4) THIRD DEBT CONFIRMATION LETTER

Date

After the issuance of the Civil Mediation Order, the Third Debt Confirmation Letter shall be entered into at the same time as the Creditor's Rights Transfer Agreement.

Parties

Shanghai Oasis and Debtor 4

Background

The Third Debt Confirmation Letter will be signed after the issuance of the Civil Mediation Order.

Subject matter

Pursuant to the Third Debt Confirmation Letter, Shanghai Oasis and Debtor 4 agree that Debtor 4 owes Shanghai Oasis a total amount of approximately RMB219,000,000 as at 24 September 2020 ("**Second Litigation Debt**") pursuant to the Mediation Agreement.

(5) FINAL DEBT CONFIRMATION AGREEMENT

Date

To be entered into at the same time as the Creditor's Rights Transfer Agreement.

Parties

Shanghai Oasis and the Debtors Group

Subject matter

Pursuant to the Final Debt Confirmation Agreement, Shanghai Oasis and the Debtors Group agree, that:-

- (a) the Debtors Group owes Shanghai Oasis a total amount of approximately RMB451,693,900 in respect of the First Litigation Debt, the Arbitration Award Debt and the Second Litigation Debt;

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- (b) save for the Debts and the Shanghai Wingo Debt, Shanghai Oasis and its related companies do not have any other debts, right or interest against the Debtors Group;
- (c) in the event Shanghai Oasis has any debts against the Debtors Group other than the Debts and the Shanghai Wingo Debt, Shanghai Oasis shall unconditionally forfeit such debts and shall not enforce them against the Debtors Group; and
- (d) Shanghai Oasis' right under the Financial Compensation Agreement is not restricted under the Final Debt Confirmation Agreement.

(6) PRE-CONTRACT OF CREDITOR'S RIGHTS TRANSFER

Date

30 September 2020

Parties

Shanghai Oasis (as transferor), China Orient (as transferee) and Debtors Group

Subject matter

Pursuant to the Pre-contract of Creditor's Rights Transfer, Shanghai Oasis, China Orient, the Debtors Group shall sign the Creditor's Rights Transfer Agreement within 3 Business Days from the date of despatch of the circular in respect of the Transaction or the date the Company obtains Shareholders' approval in accordance with the Listing Rules and other applicable laws (whichever is the later), whereby Shanghai Oasis shall assign, and China Orient shall accept the assignment of the Debts.

In the event the Creditor's Rights Transfer Agreement is not signed by the parties for reasons unrelated to Shanghai Oasis within 2 months from the effective date of the Civil Mediation Order or within 3 Business Days from the date of despatch of the circular in respect of the Transaction or the date the Company obtains Shareholders' approval in accordance with the Listing Rules and other applicable laws (whichever is the later), the Pre-contract of Creditor's Rights Transfer shall automatically terminate (unless otherwise agreed among the parties in writing).

Subject to Shanghai Oasis' written consent, China Orient shall have the right to designate a third party to enter into the Creditor's Rights Transfer Agreement on its behalf.

The principal terms of the Creditor's Rights Transfer Agreement are disclosed below.

LETTER FROM THE BOARD

(7) CREDITOR'S RIGHTS TRANSFER AGREEMENT

Date

To be signed within 2 months from the effective date of the Civil Mediation Order or within 3 Business Days from the date of despatch of the circular in respect of the Transaction or the date the Company obtains Shareholders' approval in accordance with the Listing Rules and other applicable laws (whichever is the later).

Parties

Shanghai Oasis (as transferor), China Orient (as transferee) and Debtors Group

Subject matter

Subject to the terms and conditions of the Creditor's Rights Transfer Agreement, Shanghai Oasis shall assign, and China Orient shall accept the assignment of the Debts.

Consideration

The consideration for Shanghai Oasis' assignment of the Debts is RMB270,000,000 ("**Consideration**").

Shanghai Oasis, China Orient and the Custodian Bank shall enter into the Escrow Agreement and China Orient shall deposit the full amount of the Consideration to the Escrow Account, whereupon the Creditor's Rights Transfer Agreement shall come into effect ("**Effective Date**").

China Orient shall be entitled to all interest generated in the Escrow Account.

Basis of Consideration

The consideration of the Transaction was arrived at after arm's length negotiations between the parties and was determined with reference to the internal assessment of the prospects to recover the Debts and the amount recoverable from the Debtors Group. Details of the internal assessment are set out in the sub-paragraph headed "Internal assessment of the recoverability and amount recoverable of the Debts" in the paragraph headed "Reasons for and benefits of the Transaction" below.

Conditions Precedent

Completion of the Transaction shall be subject to and conditional upon the fulfillment of all the Conditions Precedent (or waiver by written notice of China Orient, if applicable), as summarized below:-

- (a) The Creditor's Rights Transfer Agreement becoming effective and all rights and interests in relation to the Debts having been assigned to China Orient;

LETTER FROM THE BOARD

- (b) Information pertaining to the Debts having been transferred to China Orient within 5 Business Days from the Effective Date;
- (c) There being no material breach of the terms and conditions of the Creditor's Rights Transfer Agreement;
- (d) Shanghai Oasis having applied to the relevant courts with jurisdiction to release, and said courts having so released, all property preservation measures against the following properties of the Debtors Group:-
 - (i) The Land;
 - (ii) The shares of Debtor 1 held by Debtor 3; and
 - (iii) The shares of Debtor 2 held by Debtor 3.
- (e) The Mortgage Contract of Maximum Amount having come into effect, been duly registered with the relevant registry and China Orient having obtained the corresponding registration proof of other property rights;
- (f) China Orient having obtained valid corporate authorization documents from Shanghai Oasis and the Debtors Group in respect of their signing of the Creditor's Rights Transfer Agreement and the legal documents referred to in this sub-section; and
- (g) China Orient having obtained the documents requested from Shanghai Oasis and the Debtors Group in relation to the Debts or fulfillment of the aforementioned Conditions Precedent.

The Parties shall jointly procure the fulfillment of the Conditions Precedent before the Escrow End Date. If the Conditions Precedent are not fulfilled by the Escrow End Date for reasons unrelated to China Orient, China Orient shall reassign all rights and interests in relation to the Debts back to Shanghai Oasis.

Completion

Within 5 Business Days upon satisfaction of all the Conditions Precedent (or waived by written notice of China Orient, if applicable), China Orient shall arrange to release the Consideration in the Escrow Account to Shanghai Oasis ("**Completion Date**").

Conduct after Completion

With 5 Business Days of the Completion Date, Shanghai Oasis shall provide to China Orient the proof of bank remittance and a written confirmation that Shanghai Oasis has received the Consideration.

LETTER FROM THE BOARD

Other terms

Shanghai Oasis shall have the right to terminate the Creditor's Rights Transfer Agreement on the Long-stop Date.

Shanghai Oasis agrees that any future debts incurred by the Debtors Group in favor of Shanghai Oasis (including the payment of RMB30,000,000 stipulated in the Financial Compensation Agreement) shall rank after and be subordinate to those incurred by the Debtors Group in favor of China Orient and Zhuhai Cang Shan in respect of certain loan agreements and debt confirmation agreements.

(8) FINANCIAL COMPENSATION AGREEMENT

Date

To be signed at the same time as the Creditor's Rights Transfer Agreement.

Parties

Shanghai Oasis, Debtor 3, Mr. Wang and Shanghai Wensheng

Background

Pursuant to a cooperation agreement ("**Cooperation Agreement**"), China Orient, Shanghai Wensheng and another Independent Third Party shall form Zhuhai Cang Shan as limited partners to restructure Debtor 1, Debtor 2 and Debtor 3 and provide funding to settle Debtor 1's debts and reinitiate development of its land ("**Haikou Project**"). The limited partners shall then exit in stages when the Haikou Project is developed and is able to generate sales to repay the funds provided by Zhuhai Cang Shan, with Shanghai Wensheng being the last to exit.

Subject matters

Pursuant to the Financial Compensation Agreement, Debtor 3, Mr. Wang shall pay Shanghai Oasis RMB30,000,000 as compensation for the loss incurred by Shanghai Oasis in the Transaction ("**Compensation**") and Shanghai Wensheng shall guarantee that it shall procure Debtor 1 to issue a letter of guarantee in respect of the Compensation to Shanghai Oasis.

Debtor 3 and Mr. Wang shall pay the Compensation upon the earlier of:–

- (i) 3 years after the Financial Compensation Agreement has been signed; or
- (ii) 10 days after Shanghai Oasis has served written notice to Debtor 3 and Mr. Wang upon Shanghai Oasis receiving written notice from Shanghai Wensheng that Shanghai Wensheng intends to withdraw from the Cooperation Agreement to which it is a party alongside Debtor 3 and Mr. Wang.

LETTER FROM THE BOARD

Reasons for the Financial Compensation Agreement

The Financial Compensation Agreement concerns a commercial arrangement whereby the Company may receive a potential further amount payable by Debtor 3 and Mr. Wang on top of the Consideration. Shanghai Oasis originally proposed a greater amount to compensate the shortfall between the Consideration and the amount of the Debts. However, taking into account that the Compensation will be on top of the Consideration and the unfavorable factors facing the Company as set out in the section “Reasons for and Benefits of the Transaction”, the Company has agreed to concede to Mr. Wang and adopt RMB30 million instead. However, there is the probability that it will not be received at the end.

As per the terms of the Financial Compensation Agreement, Shanghai Wensheng is not guaranteeing the payment of RMB30 million to the Company. Rather, Shanghai Wensheng is only guaranteeing that it shall procure Debtor 1 to issue a letter of guarantee in respect of the Compensation to Shanghai Oasis. For the sake of clarity, Shanghai Wensheng has incurred no payment guarantee to Shanghai Oasis and Shanghai Wensheng is not a party to the Transaction. Shanghai Wensheng does not owe to the Company any debts which are purported to be assigned to China Orient.

(9) ESCROW AGREEMENT

Date

To be signed at the same time as the Creditor’s Rights Transfer Agreement.

Parties

Shanghai Oasis, China Orient and the Custodian Bank

Escrow arrangement

Pursuant to the Escrow Agreement, an Escrow Account shall be opened to receive the Consideration. During the escrow period and such extended period, payment out of the Escrow Account to Shanghai Oasis requires verified payment instructions given by China Orient to the Custodian Bank. Payment out of the Escrow Account to China Orient requires termination notice given by Shanghai Oasis to the Custodian Bank. In other words, the movement of the Consideration out of the Escrow Account to one party requires the other party’s action.

In the event the Consideration is not transferred by the end date of the escrow period, China Orient will also have the right to terminate the Escrow Agreement whereby the Consideration will be returned to China Orient. The Company’s interest is protected and safeguarded as it may commence legal proceedings against China Orient if China Orient is in breach of the Debt Assignment Documents.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES INVOLVED IN THE TRANSACTION

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:–

- (a) each of China Orient, the Debtor 1, Debtor 2, Debtor 3, Debtor 4, Shanghai Wensheng and Custodian Bank and their respective ultimate beneficial owners is an Independent Third Party;
- (b) Mr. Wang is the ultimate beneficial owner of Debtor 3. He is a party of the Debtors Group and a party to the Transaction. He is the guarantor of debts owed to Shanghai Oasis and the borrower of Debtor 3 Loan;
- (c) Mr. Shi Jian (“**Mr. Shi**”) is not related to the Debtors, China Orient, Zhuhai Cang Shan, Mr. Wang or Shanghai Wensheng;
- (d) Shanghai Wensheng, China Orient and another Independent Third Party are limited partners of Zhuhai Cang Shan. They are not related otherwise and all of them are not related to the Debtors, Mr. Shi or Mr. Wang; and
- (e) Zhuhai Cang Shan is not a party to any of the Debt Assignment Documents. It is a term agreed by the parties to the Creditor's Rights Transfer Agreement that any future debts incurred by the Debtors Group in favor of Shanghai Oasis shall rank after and be subordinate to those incurred by the Debtors Group in favor of China Orient and Zhuhai Cang Shan.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the First-Stage Agreement, the principal business activities and ultimate beneficial owners of the counterparties are as follows:–

| | Principal business activities | Ultimate beneficial owner(s) |
|--------------|--|-------------------------------------|
| China Orient | Acquisition, entrusted operation of nonperforming assets of financial institutions, management, investment and disposal of non-performing assets, debt-to-equity swaps, management, investment and disposal of equity assets | Ministry of Finance of the PRC |

LETTER FROM THE BOARD

| | Principal business activities | Ultimate beneficial owner(s) |
|-------------------|---|---|
| Debtor 1 | Development and management of real estate, yacht operations, yacht repair and maintenance | 20% by Debtor 3 and 80% by Country Garden Holdings Company Limited, a company listed on the Stock Exchange (stock code: 2007) (“CGHCL”) ^(Note) |
| Debtor 2 | Development and management of real estate, property services, marketing planning | CGHCL ^(Note) |
| Debtor 3 | Agriculture and tourism project development, real estate information consulting services | Mr. Wang |
| Debtor 4 | Equity investment in non-listed companies, holding shares of listed companies by subscribing for non-public issuance of shares or acquisition of shares and related consulting services | CGHCL ^(Note) |
| Shanghai Wensheng | Asset management, corporate management consultancy, investment management consultancy | Zhou Zhijie |
| Custodian Bank | Provision of corporate and personal banking, assets management and other financial services | Industrial and Commercial Bank of China Limited |
| Zhuhai Cang Shan | Acquisition and operation of distressed assets | China Orient, Shanghai Wensheng and another Independent Third Party |

Note: To the best of the Directors’ knowledge, knowledge, information and belief having made all reasonable enquiries, CGHCL became the beneficial owner of Debtor 1, Debtor 2 and Debtor 4 in or around 2018. At the time when the Equity Transfer Agreement was entered into in 2015 and during the relevant time of the disputes relating to the Debts, Debtor 4 was beneficially owned or related to Mr. Wang.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP

The Group is an integrated real estate developer focusing on real estate investment and development business in first and second-tier cities in the PRC, particularly in the Shanghai Metropolitan Area, which is geographically the base for the Group's property development business and popular cities in the Yangtze River Economic Belt. The Group is committed to expanding the project by virtue of integration development of "Industry + Real Estate + Finance" under the models of the Financial City and the "Primary and secondary co-development in industrial-urban integration". The Group will also expand its investment businesses, accelerate the investment-withdrawal and profit-making process by adopting the "financing, investment, management and exit" approach, and operate in a "light and heavy assets in parallel" model. The Group also focuses on investment opportunities in the high-growth regions along the "One Belt, One Road", striving to become a fully integrated trans-sector finance and real estate group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Circumstances leading to the Equity Transfer Agreement

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, it is believed that the Disposal and the provision of Debtor 1 Loan and Debtor 3 Loan were conducted without the knowledge of the other directors of the Company at the relevant time.

According to the Company's records, Mr. Shi signed the Equity Transfer Agreement on behalf of Shanghai Oasis. Mr. Shi was an executive Director and the Chairman of the Board at the relevant time. As announced by the Company on 9 June 2015, the spouse of Mr. Shi informed the Company on 4 June 2015 that the Changzhou City People's Procuratorate of the PRC has required Mr. Shi to stay under custody at a designated residence. On 2 December 2015, Mr. Shi was removed by the Shareholders as an executive Director and the Chairman of the Board.

According to the Company's records, the signature page of the Debtor 3 Loan Agreement was only affixed with the company chop of Shanghai Oasis but was not signed by an authorised signatory of Shanghai Oasis.

According to the Company's record, the Debtor 1 Loan Memorandum was only affixed with the company chop of the Company but was not signed by an authorised signatory of the Company. For Shanghai Oasis's signature, it was affixed with the company chop of Shanghai Oasis and was signed by the then legal representative of Shanghai Oasis, Mr. Jiang Xudong.

All executive directors of the Board during the time when the Equity Transfer Agreement, Debtor 1 Loan and Debtor 3 Loan were conducted had already left the Company. It is uncertain what internal procedures Mr. Shi or the management team undertook when they considered the aforementioned transactions. In the light of the foregoing, it cannot be confirmed now the basis on which the consideration of the Disposal was determined.

LETTER FROM THE BOARD

However, retrospectively speaking, based on the records of the Company, the net asset value of Debtor 1 as at 31 December 2014 was approximately RMB218.37 million, the 80% equivalent of which was approximately RMB174.7 million. The consideration agreed for the Disposal consisted of RMB176 million (for 80% equity interest in Shanghai Oasis) and RMB199 million (for the shareholder loan). It is therefore submitted that it appeared that there was no undervaluation of the consideration which would have further prejudiced the interest of investors.

Listing Rules implications of the Equity Transfer Agreement

It was recently revealed by the Company that the Disposal constituted a major transaction and connected transaction for the Company at that time and should be subject to announcement and shareholders' approval requirements under Chapter 14 or Chapter 14A of the Listing Rules. The provision of Debtor 3 Loan also constituted a connected transaction for the Company with a connected person at subsidiary level at that time and should be subject to announcement requirement but exempt from circular and shareholders' approval requirements under Chapter 14A of the Listing Rules. Unfortunately, the Company had not complied with the relevant requirements at the relevant time. Nevertheless, the Disposal was disclosed on multiple occasions in the Company's 2015, 2016 and 2017 annual reports and 2016 interim report.

The Disposal was undertaken before the Company's controlling shareholder had changed to the present one and the Company did not undertake a review of transactions conducted prior to the change of the Company's controlling shareholder upon such change in December 2015 (save for certain financing transactions as more particularly disclosed in the Company's announcements dated 24 September 2015, 3 November 2015 and 11 May 2016). It was only when this Circular was being prepared that the failure to comply with the relevant provisions of the Listing Rules as described above was discovered.

Efforts of the Company to ensure Listing Rules compliance

After the Company's controlling shareholder changed to the present one in December 2015, the Company has engaged a reputable law firm in Hong Kong as its legal advisers in respect of compliance matters since 2016. The Company has also established internal procedures for transactions that are subject to compliance with Listing Rules. The Company has engaged legal advisers and other professional parties from time to time to advise on transactions and the related compliance procedures relating to Listing Rules. The Company also regularly arranges compliance training for the Board and senior management. The Company is using its best endeavour to comply with the Listing Rules and prevent any future non-compliance.

Efforts of the Company to safeguard the Company's interests in the Debt

Over the years, the management of the Company and the Group has commenced or defended various court cases in the PRC to protect the Group's interests in the Debts. The Company has exhausted all possible alternatives before concluding the Transaction, including but not limited to commencing litigation, filing appeal, seeking judicial auction and placing property preservation orders. The Company faces enormous challenges in

LETTER FROM THE BOARD

recovering the Debts and the Transaction represents a valuable opportunity for the Company to recover a reasonable sum of RMB270 million within a short time and avoid the protracted and uncertain disputes with the Debtors Group and risks of action by creditors or the local government. For the reasons more particularly discussed below, Shanghai Oasis has decided to conclude the disputes and entered into the Debt Assignment Documents.

Internal assessment of the recoverability and amount recoverable of the Debts

The terms of the Debt Assignment Documents were negotiated on an arm's length basis between the parties. The Directors considered the following:-

a) Grave financial status of Debtor 1

Debtor 1 is at material risk of insolvency.

Debtor 1 has accumulated numerous debts in relation to the Haikou Project since 2014. It is understood that Debtor 1 has likely incurred debts of more than RMB2 billion. Debtor 1's main assets are the Land and the unfinished Hotel. At present, Debtor 1 is essentially insolvent.

Although Shanghai Oasis has obtained judgment in respect of the Debtor 1 Loan and promptly placed first property preservation measures against the Land, the Land is now subject to further property preservation measures by other creditors. At present, Shanghai Oasis has priority in its claims against Debtor 1, but given the current stagnant state of affairs with multiple creditors emerging, it is increasingly likely that winding-up proceedings will be commenced by any of its creditors, in which case Shanghai Oasis will be treated as an unsecured creditor and all of the creditors will only be repaid proportionally. Should that take place, the Company and the Shareholders will suffer tremendous loss.

Further, although several parties including the Company intend to move forward with judicial auction of the Land, the process has been halted by the Haikou government on two occasions by reason of the Land "becoming idle". At present, it is unknown when and if the judicial auction can be restarted. The strong policy stance of the Haikou government has prevented the Land from being auctioned on its own. Additionally, there is material risk that the Haikou government will resort to extreme legal procedures concerning idle land and confiscate the Land, in which case all creditors of Debtor 1 including Shanghai Oasis will suffer total loss.

b) Poor chances of recoverability against Debtor 3

In respect of the Arbitration Award Debt, Shanghai Oasis has placed property preservation measures against the 20% shareholding of Debtor 3 in Debtor 1. However, Debtor 3 has refused to cooperate in relation to the value appraisal of such shareholding, thwarting the ability of Shanghai Oasis to move forward to judicial auction.

In any event, as explained above, Debtor 1 is essentially insolvent and it is unlikely the 20% shareholding would be of any value.

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Debtor 3's shareholding in other joint ventures is also encumbered and it may have accrued debts by acting as the guarantor on behalf of Mr. Wang in various transactions. Shanghai Oasis has already enforced part the Arbitration Award Debt on Mr. Wang's bank account and recovered RMB6.5 million. It is unlikely for Shanghai Oasis to uncover Mr. Wang's other bank accounts in respect of the remaining RMB13.5 million. Therefore, the chance of recovering the remainder of the Arbitration Award Debt is very small.

c) **Uncertainty of the Appeal**

In respect of the Second Litigation Debt, the Appeal is still pending and it is uncertain when Shanghai Oasis will obtain a completely favourable judgment, if any. In particular, the adoption of RMB219 million as the amount of the Second Litigation Debt is beneficial to the Company whether or not the Transaction is successful in the end as the risk of unfavourable judgement against Shanghai Oasis ceases. The Group does not need to put in additional resources in pursuing the Appeal. Even if the Transaction does not proceed, Debtor 4 has confirmed the value and liability of the Second Litigation Debt in the amount of RMB219 million in the Debt Assignment Documents which is favourable to the Group.

d) **Basis of consideration**

The calculation of the worst and best case scenarios, on the assumption of successful judicial auction of the Land, is as follows:-

Worst case

As at 24 September 2020, the aggregate of Debtor 1 Loan and Debtor 3 Loan with interest, minus the RMB6.5 million recovered from Mr. Wang's bank account, is RMB $(193.02 + 39.67)=232.69$ million.

In the event the Haikou Judgment is not overturned in the Appeal, Shanghai Oasis shall need to repay approximately RMB5.74 million to Debtor 4. Assuming Shanghai Oasis can recover another RMB60 million from Debtor 4 when the Hotel is operational and another RMB28.94 million in shareholder's loan, the amount recoverable would become RMB $(232.69 - 5.74 + 60 + 28.94)=315.89$ million.

The Company's assessment of the amount recoverable from auction of the Land is RMB193.02 million as at September 2020. As explained in the Company's previous submissions, the Land is the only major asset upon which the Company's judgments obtained against the Debtors can be enforced. Therefore, the recoverability of the remaining RMB $(315.89 - 193.02)=122.87$ million is uncertain. Adopting 3 years as the estimated time needed to recover the amount, a discount rate of 12% is applied and the amount becomes RMB87.46 million. As there will be no significant asset left to enforce such amount after the auction of the land, a discount rate of 50% is applied and the amount becomes RMB43.73 million.

In summary, the aggregate amount of the sum recoverable from auction of the Land and the sum recoverable for the remaining claim will be RMB $(193.02 + 43.73)=236.75$ million after taking into account the discount rates.

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Best case

In the event the Haikou Judgment is overturned in the Appeal and the ruling is completely in favour of Shanghai Oasis where RMB50 million is found to be deductible by Debtor 4 from the Remaining Consideration in the Appeal, Debtor 4 shall need to repay RMB109 million to Shanghai Oasis. Assuming Shanghai Oasis can recover another RMB60 million from Debtor 4 when the Hotel is operational and another RMB28.94 million in shareholder's loan, the amount recoverable would become RMB $(232.69 + 109 + 60 + 28.94)=430.63$ million.

Nevertheless, the amount recoverable from auction of the Land is still only RMB193.02 million. Therefore, the recoverability of the remaining RMB $(430.63 - 193.02)=237.61$ million is uncertain. Adopting 3 years as the estimated time needed to recover the amount, a discount rate of 12% is applied and the amount becomes RMB169.13 million. As there will be no significant asset left to enforce such amount after the auction of the land, a discount rate of 50% is applied and the amount becomes RMB84.57 million.

In summary, the aggregate amount of the sum recoverable from auction of the Land and the sum recoverable for the remaining claim will be RMB $(193.02 + 84.57) = 277.6$ million after taking into account the discount rates.

The above calculation does not take into account the obstacles in auction of the Land and the discounted present value of the future proceeds from auction of the Land. It is the most optimistic estimate to apply a discount of 50% for the amount recoverable from the auction.

Given the current encumbered status of the Land and the Hotel, it is still unlikely that the RMB60 million can be recovered as the Hotel is unlikely to become operational for a long time to come.

e) Swift settlement

Except for the First Litigation Debt which can be enforced by judicial auction of the Land, the Arbitration Award Debt and the Second Litigation Debt can only be enforced against the shares of Debtor 1 which would involve more time-consuming procedures. Continuing to pursue the Debtors and enforce the Debts in the present circumstances would also severely deplete the Company's resources and the outcome is unlikely to be more favourable than the present one on offer.

The involvement of China Orient and the Debt Assignment Documents therefore provides a valuable opportunity for the Company to recover a reasonable sum of RMB270 million within a short time and avoid the protracted and uncertain Appeal and risks of action by creditors or the local government.

LETTER FROM THE BOARD

f) Immediate payment with future potential payment

Shanghai Oasis can receive immediate payment of RMB270 million upon completion of Transaction. Although there is the probability that it will not be received at the end, the Company can also potentially recover another RMB30 million pursuant to the Financial Compensation Agreement. The Compensation is compensatory in nature and is additional to the Consideration. The Compensation has only been agreed after long and hard negotiations on the basis of commercial considerations.

In view of the foregoing, the Directors consider that the Consideration of RMB270 and the Transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE TRANSACTION AND USE OF PROCEEDS

The unaudited book value of the Debts as at 30 June 2020, as shown in the Group's consolidated financial statements for the six months ended 30 June 2020, was approximately RMB110 million.

Based on the unaudited financial information of the Group as at 30 June 2020, as a result of the Transaction, it is expected that total assets of the Group will increase by approximately RMB160 million (being the difference the Consideration of RMB270 million and the unaudited book value of the Debts as at 30 June 2020) and the total liabilities of the Group will remain unchanged. As regards earnings of the Group as a result of the Transaction, it is expected that the Group will record a gain from the Transaction of approximately RMB160 million, which is calculated with reference to the Consideration of RMB270 million and the unaudited book value of the Debts as at 30 June 2020.

The final financial impact on the Group as a result of the Transaction will, however, be subject to the book value of the Debts as at the Completion Date and further audit procedures to be performed by the auditors of the Company.

The proceeds to be received by the Company from the Transaction will be applied towards the general working capital of the Group.

IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentages (as defined in Rule 14.07 of the Listing Rules) in respect of the Transaction is more than 25% but less than 75%, the Transaction constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Any Shareholder and his close associates with a material interest in the Transaction shall abstain from voting on the resolutions approving the Transaction. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates has a material interest in the Transaction, thus no Shareholders is required to abstain from voting if the Company were to convene a special general meeting to approve the Transaction.

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The Company has obtained written approval from Jiashun Holding in respect of the Transaction. Pursuant to Rule 14.44 of the Listing Rules, such written approval from Jiashun Holding can be accepted in lieu of holding a general meeting for the purpose of approving the Transaction. Jiashun Holding is the controlling shareholder of the Company, holding 12,500,000,000 Shares with voting rights (representing approximately 60.78% of the total issued shares with voting rights of the Company based on a total of 20,564,713,722 Shares in issue as at the Latest Practicable Date).

RECOMMENDATION

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

FURTHER INFORMATION

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

Yours faithfully
By Order of the Board
SRE GROUP LIMITED
Hong Zhihua
Chairman

* *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 2017, 2018 and 2019 and the six months ended 30 June 2020 together with the relevant notes thereto are disclosed in the annual reports and the interim report of the Company for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, 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 2017 of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 68 to 196)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltm20180427596.pdf>;

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

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltm20190430919.pdf>;

- The Annual Report 2019 of the Company for the year ended 31 December 2019 published on 17 May 2020 (pages 82 to 200)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0517/2020051700031.pdf>.

- The Interim Report 2020 of the Company for the six months ended 30 June 2020 published on 24 September 2020 (pages 2 to 43)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0924/2020092400526.pdf>.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2020, 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 30 November 2020, being the latest practicable date for this indebtedness statement, the details of the Group's outstanding borrowings were as follows:

| | <i>Notes</i> | 30 November 2020 RMB'000 |
|---|--------------|---|
| Bank borrowings – guaranteed and secured | <i>(a)</i> | 414,400 |
| Bank borrowings – secured and unguaranteed | <i>(b)</i> | 713,970 |
| Bank borrowings – unguaranteed and unsecured | | 330,120 |
| Other borrowings – unguaranteed and unsecured | | <u>142,825</u> |
| Current portion | | 1,601,315 |
| Other borrowings – guaranteed and secured | <i>(c)</i> | 560,000 |
| Other borrowings – unguaranteed and unsecured | | <u>2,513,253</u> |
| Non-current portion | | <u>3,073,253</u> |
| Total | | <u><u>4,674,568</u></u> |

Notes:

- (a) As at 30 November 2020, the Group's bank borrowings of approximately RMB414.40 million were guaranteed by the Company, certain subsidiaries or a joint venture, and secured by the pledges of certain receivables and investment properties of certain subsidiaries.
- (b) As at 30 November 2020, the Group's bank borrowings of approximately RMB713.97 million were secured by the pledges of certain bank deposits, receivables and investment properties of a subsidiary.
- (c) As at 30 November 2020, the Group's other borrowings of approximately RMB560 million were guaranteed by the Company and secured by equity interests in a subsidiary.

Lease liabilities

As at 30 November 2020, the Group had current and non-current lease liabilities which amounted to approximately RMB6.04 million and RMB28.98 million respectively.

Contingent liabilities or guarantees

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the 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 banks grant the relevant mortgage loans and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into such guarantee contracts with principal amounts totalling approximately RMB162 million and these contracts were still effective as at the close of business on 30 November 2020.

The Group also provided guarantee for bank loans of a joint venture of the Group. As at 30 November 2020, such guarantee amounted to approximately RMB3,451.82 million. Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US\$165.07 million as at 30 November 2020. Relevantly, the Group provided a deposit of US\$24.92 million as at 30 November 2020 as guarantor's letter of credit for the loan apart from the guarantee above.

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 30 November 2020, 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.

3. WORKING CAPITAL

As set out in the Company's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020, out of the RMB1,598.7 million of borrowings in current liabilities, RMB1,150.7 million were defaulted and became immediately repayable on demand triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd. ("China Minsheng"), the ultimate holding company of the Group since 2018; (2) the arrest of Mr. Peng Xinkuang, a former director of the Company, and the detention of Mr. Chen Donghui, a former director of the Company, by the relevant authorities in the PRC in January and February 2020 ("Mr. Peng's Arrest and Mr. Chen's Detention Matters"). The above events also resulted in the default of a joint venture's loan of RMB3,452 million guaranteed by the Group which gave rights of the relevant lenders to demand the Group to fulfill its guarantee obligation to repay the loan of the joint venture on its behalf, if the joint venture is unable to repay the loan by itself. As at 30 June 2020, however, the Group's cash and cash equivalents amounted to RMB735 million only. The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In preparing the working capital forecast for the Group for the 12 months from the date of this Circular, the Group was unable to obtain written agreements with relevant lenders in respect of the loans that they will not exercise their rights to demand immediate repayment of the relevant loans prior to their scheduled contractual repayment dates, as triggered by changes in financial conditions of China Minsheng, and Mr. Peng's Arrest and Mr. Chen's Detention Matters. As such, based on the existing confirmed loans, the Group was unable to confirm that the Group would have sufficient working capital for its present requirements for at least the next 12 months from the date of this Circular as required under paragraph 30 of Appendix 1B to the Listing Rules. The Group is carrying out the following measures for the purpose of ensuring there are sufficient working capital for at least the next 12 months from the date of the Circular:

- (i) The Group has been proactively communicating with the relevant lenders to explain that the Group's business, operations, financial condition and cash position remain normal and stable, and the Group has sufficient financial resources to support the repayments of the relevant loans under original repayment schedules.
- (ii) The Group has also been proactively communicating with the lenders of the loan of the joint venture guaranteed by the Group, and the lenders have neither demanded the joint venture for immediate repayment of the loan nor requested the Group to immediately fulfil its guarantee obligation to repay the loan on behalf of the joint venture.
- (iii) The Group is actively negotiating with several financial institutions for grant of new loans, offering a sufficient pledge of assets and at a reasonable cost. On 10 August 2020, the Group has received a letter of intent from a non-bank financial institution for a loan facility of RMB100 million which is subject to fulfilment of conditions such as pledges of assets and irrevocable guarantees provided by the Group and one of its subsidiary. The loan is repayable in two years from the drawdown date, and may be further extended by one year subject to approval from the non-bank financial institution, with first instalment to be repaid in twelve months after the drawdown date.

Taking into considerations of item (i) to (iii) above, and (iv) the written agreements already signed 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 17 months from 30 November 2020, (v) the assumption that the Group be able to obtain new loans as set out in the working capital forecast memorandum and the relevant lenders of the existing loans will not exercise their rights to demand immediate payment of the relevant loans prior to their scheduled contractual repayment dates, as triggered by changes in financial conditions of China Minsheng, and Mr. Peng's Arrest and Mr. Chen's Detention Matters; and (vi) the timely collection of proceeds from disposals of various assets of the Group including:

- the proposed Transaction;

- divestments of certain investments and assets sold in prior years and up to the date of this circular; and
- further planned divestments of financial assets and properties in the PRC and overseas,

and, in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements 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 Transaction 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 appropriate, as well as repay the outstanding loans of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in this circular, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

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 |
|------------------|------------------------|---------------------|------------|--|
| Zhu Qiang | 84,000,000 (Note 1) | – | 84,000,000 | 0.41% |
| Qin Wenyong | 84,000,000 (Note 1) | – | 84,000,000 | 0.41% |
| Zhuo Fumin | – | 160,000 (Note 2) | 160,000 | 0.0008% |
| Jiang Chuming | 500,000 | – | 500,000 | 0.0024% |

Notes:

- This refers to the underlying Shares covered by share options granted, such options being unlisted physically settled equity derivatives.
- 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>i</i> | | | 15,523,751,128 | 75.49% |
| China Minsheng Jiaye Investment Co., Ltd. | Interest in controlled corporation | <i>i</i> | | | 15,523,751,128 | 75.49% |
| Jiaxin Investment (Shanghai) Co., Ltd. | Interest in controlled corporation | <i>iv</i> | | | 15,523,751,128 | 75.49% |
| Jiasheng (Holding) Investment Limited | Interest in controlled corporation | <i>iv</i> | | | 15,389,659,128 | 74.84% |
| Jiashun (Holding) Investment Limited | Beneficial owner | <i>iv</i> | | | 15,389,659,128 | 74.84% |
| Zhi Tong Investment Limited Partnership | Beneficial owner | <i>i, ii, iii</i> | | | 2,022,761,390 | 9.84% |
| Jia Yun Investment Limited | Person having a security interest in Shares | <i>vi</i> | 866,897,738 | 4.21% | 2,889,659,128 | 14.05% |
| | Interest in controlled corporation | <i>ii, iii</i> | 2,022,761,390 | 9.84% | | |
| Shi Jian | Beneficial owner | | 13,006,991 | 0.06% | 2,902,666,119 | 14.11% |
| | Interest in controlled corporation | <i>v</i> | 2,889,659,128 | 14.05% | | |
| Si Xiao Dong | Beneficial owner | | 2,324 | 0.00% | 2,889,661,452 | 14.05% |
| | Interest in controlled corporation | <i>v</i> | 2,889,659,128 | 14.05% | | |

| 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) |
|--------------------------------|---|-----------------------------|--|--|--|--|
| SRE Investment Holding Limited | Beneficial owner Interest in controlled corporation | <i>vi</i> <i>ii, iii</i> | 866,897,738 2,022,761,390 | 4.21% 9.84% | 2,889,659,128 | 14.05% |
| Starite International Limited | Interest in controlled corporation | <i>ii, iii</i> | | | 2,022,761,390 | 9.84% |
| Zuo Xin | Nominee for another person (other than a bare trustee) | <i>ii, iii</i> | | | 2,022,761,390 | 9.84% |
| Jiabo Investment Limited | Interest in controlled corporation | <i>ii, iii, vi</i> | | | 2,889,659,128 | 14.05% |
| Jiazhi Investment Limited | Interest in controlled corporation | <i>ii, iii</i> | | | 2,022,761,390 | 9.84% |

Note:

- i. China Minsheng Investment Corp., Ltd. holds a 67.26% direct interest in China Minsheng Jiaye Investment Co., Ltd. Pursuant to Part XV of the SFO, China Minsheng Investment Corp., Ltd. and China Minsheng Jiaye Investment Co., Ltd. are respectively 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 Investment Limited (134,092,000 Shares)).
- ii. A 100% direct interest in Jia Yun Investment Limited is held by Jiabo Investment Limited, which is 100% indirectly owned by China Minsheng Investment Co., Ltd. Jia Yun Investment Limited holds a 60% direct interest in Jiazhi Investment Limited, which is a general partner of Zhi Tong Investment Limited Partnership. Accordingly, each of Jiabo Investment Limited, Jia Yun Investment Limited and Jiazhi Investment Limited is deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership under Part XV of the SFO.

The remaining 40% interests in Jiazhi Investment Limited is held by Starite International Limited, which is wholly-owned by Zuo Xin (as a nominee and representative of SRE Investment Holding Limited). Therefore, Starite International Limited, Zuo Xin and SRE Investment Holding Limited are deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership under 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 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 owned as to 67.26% by China Minsheng Investment Corp., Ltd. Therefore, according to Part XV of the SFO, Jiasheng (Holding) Investment Limited, Jiaxin Investment (Shanghai) Co., Ltd., China Minsheng Jiaye Investment Co., Ltd. and China Minsheng Investment Corp., Ltd. are deemed to be interested in the Shares held by Jiashun (Holding) Investment Limited.

- v. As each of Mr. Shi Jian and Ms. Si Xiao Dong has one-third or more of the voting rights at shareholders' meetings of SRE Investment Holding Limited, they are deemed to be interested in all the Shares interested in by SRE Investment Holding Limited under 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 attached to the Shares. China Minsheng Investment Corp., Ltd. has confirmed to the Company that if the enforcement of the share charge will result in the Company failing to meet the public float requirement, China Minsheng Investment Corp., Ltd. will use its best efforts to assist the Company to maintain or restore its public float to comply with Rule 8.08(1)(a) of the Listing Rules, such as to sell its Shares in the open market.

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, Mr. Hong Zhihua, an executive Director and chairman of the Board, was the executive vice president of China Minsheng Jiaye Investment Co., Ltd. Ms. Jiang Chuming, an executive Director, was the vice president of China Minsheng Jiaye Investment 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 2019 (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. 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.

7. 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 agreement dated 30 May 2019 entered into by Sinopower Investment Limited (華通投資有限公司) (a direct wholly-owned subsidiary of the Company), Ronghe International Group Limited (榮和國際集團有限公司) (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 Investments Limited (潤斯投資有限公司) (an indirect wholly-owned subsidiary of the Company on 3 May 2018) (“**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;
- (b) a agreement dated 11 June 2019 and entered into among Konmen Investment Limited (康明投資有限公司) (an indirect wholly-owned subsidiary of the Company) (“**Vendor 1**”), 瀋陽綠怡酒店管理有限公司 (Shenyang Luyi Hotel Management Co., Ltd.*) (an indirect wholly-owned subsidiary of the Company) (“**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)*) (“**Vendor 3**”, together with **Vendor 1 and Vendor 2**, “**Vendors**”), an independent third party, Hong Kong Chong Dei Company Limited (香港創地有限公司), 瀋陽瑞光貿易有限公司 (Shenyang Ruiguang Trading Co., Ltd.*) and 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.*) (“**Target Company**”) in relation to the disposal of the entire 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 and 27.5% held by Vendor 2) at the aggregate price of RMB1,285.16 million, further details are set out in the announcement of the Company dated 11 June 2019; and

- (c) the First-Stage Agreements.

8. 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 Level 11, Admiralty Centre Tower 2, 18 Harcourt Road, Admiralty, 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 HM08, 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.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection from 9:00 a.m. to 5:00 p.m. on any weekday other than public holidays, at the principal place of business of the Company at Level 11, Admiralty Centre Tower 2, 18 Harcourt Road, Admiralty, Hong Kong, for 14 days from the date of this circular:

- (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 2017, 2018 and 2019;
- (c) the interim report of the Company for the six months ended 30 June 2020;
- (d) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and
- (e) this circular.