SRE GROUP LIMITED
上 置 集 團 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO (1) THE DISPOSAL OF 51% EQUITY INTEREST IN SHANGHAI JINXIN; AND (2) THE ASSIGNMENT OF RIGHTS UNDER THE JINXIN DEBTS

THE DISPOSAL

On 8 April 2024 (after trading hours), the Vendors (the Company and certain indirect wholly-owned subsidiaries of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to: (i) dispose of the Target Equity Interest; and (ii) assign the rights under the Jinxin Debts, at an aggregate consideration of RMB3.41 billion (subject to adjustment) less the Ningbo Zhongqing Payment.

As at the date of this announcement, Shanghai Jinxin was indirectly owned as to 51% by the Company through the Equity Interest Vendors but is not a subsidiary of the Company. Upon completion of the Disposal, the Company will not have any interest in Shanghai Jinxin.

IMPLICATIONS OF THE LISTING RULES

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposal Agreement is over 75%, the Disposal constitutes a very substantial disposal of the Company and is therefore subject to the notification, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, (i) further details of the Disposal Agreement and the Disposal contemplated thereunder; (ii) financial information of Shanghai Jinxin; (iii) pro forma financial information of the Remaining Group; (iv) valuation report on the property interest held by Shanghai Jinxin; (v) other information as required under the Listing Rules; and (vi) a notice convening the SGM is expected to be dispatched to the Shareholders on or no later than 30 April 2024, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As the Disposal Agreement is subject to the satisfaction of the conditions as set out in the sections headed "Conditions Precedent to the Completion of the Transfer of Target Equity Interest" and "Conditions Precedent to the Completion of the Assignment of the Rights under the Jinxin Debts" below, the Disposal Agreement may or may not become unconditional and therefore, the Disposal may not proceed. Shareholders and investors should exercise caution when dealing in the securities of the Company.

THE DISPOSAL AGREEMENT

On 8 April 2024, the Vendors and the Purchaser entered into the Disposal Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to: (i) dispose of the Target Equity Interest; and (ii) assign the rights under the Jinxin Debts, at an aggregate consideration of RMB3.41 billion less the Ningbo Zhongqing Payment. In the event that the fulfillment of the conditions to the effectiveness of the Disposal Agreement takes place within 30 days before or after 30 June 2024 (being the consideration determination benchmark date of the Disposal), the consideration of the Jinxin Debts will not be adjusted and in the event that completion of the transfer of the Target Equity Interest takes place within 60 days before or after 30 June 2024, the consideration of the Target Equity Interest will not be adjusted. If the relevant fulfillment and completion takes place outside of the aforementioned periods, the consideration will be adjusted on a dollar-for-dollar basis, meaning that for every RMB100.0 interest accrued under the Jinxin Debts after 30 June 2024 and until the date of actual effectiveness of the Disposal Agreement, the consideration would be upwardly adjusted by RMB100.0.

The key terms of the Disposal Agreement are set out as follows:

Date

8 April 2024

Parties

The parties to the Disposal Agreement are as follows:

(1) the Company as Vendor 1;

(2) SRE Jiaye Real Estate Development (Shanghai) Company Limited* (上置嘉業房地產發展(上海)有限公司) as Vendor 2;

(3) Shunlink Investment Limited* (上聯投資有限公司) as Vendor 3;

(4) Gaken Investment Limited* (嘉勤投資有限公司) as Vendor 4;

(5) Shanghai Oasis Garden Real Estate Company Limited* (上海綠洲花園置業有限公司) as Vendor 5;

(6) Shangzhi Yijia Investment Management (Shanghai) Company Limited* (上置毅家投資管理(上海)有限公司) as Vendor 6;

(7) Shanghai SRE Real Estate Development Co., Ltd.* (上海上置房地產發展有限公司) as Vendor 7; and

(8) Zhongchong Investment Group Co., Ltd.* (中崇投資集團有限公司), as the Purchaser.

Subject Matter

The assets to be disposed of and/or assigned (as applicable) by the Vendors to the Purchaser pursuant to the Disposal Agreement are (i) the Target Equity Interest; and (ii) the rights under the Jinxin Debts.

The table below sets forth the Target Equity Interest to be disposed of by each of the Equity Interest Vendors:

Vendor	**Equity interest to be disposed of in Shanghai Jinxin**
Vendor 2	5.89%
Vendor 3	18.42%
Vendor 4	7.89%
Vendor 5	18.80%
Total	**51%**

The rights under the Jinxin Debts to be assigned is to receive the payment of debts owed by Shanghai Jinxin to the Jinxin Debts Vendors, in the aggregate amount of approximately RMB2,577.6 million as at 29 February 2024. The table below sets forth the rights to be assigned under the Jinxin Debts owed to each of the Vendors:

Vendor	**The amount under the Jinxin Debts to be assigned** *RMB million*
Vendor 2	106.2
Vendor 5	856.4
Vendor 6	1,411.7
Vendor 7	203.3
Total	2,577.6

Conditions to Effectiveness

The Disposal Agreement shall become effective upon the Company having completed the announcement and approval procedures in respect of the transactions contemplated under the Disposal Agreement in accordance with the Listing Rules and obtained Shareholders' approval for the Disposal Agreement and the Disposal at the SGM.

Consideration and Payment Term

The consideration for the Disposal, being RMB3.41 billion (subject to adjustment) less the Ningbo Zhongqing Payment, shall be paid by the Purchaser to the Vendors in the following manners:

(1) the first installment: an amount of RMB2.00 billion, part of which shall be offset by the fulfillment of Shanghai Jinxin's payment obligation to Ningbo Zhongqing (as defined below) in the amount of approximately RMB32.5 million (including the outstanding loan principal of RMB24.8 million and the estimated interests of RMB7.7 million as of 30 June 2024 without any guarantees or pledge provided for the loan by Shanghai Jinxin or the Group) by the payment of Shanghai Jinxin to Ningbo Zhongqing Trading Co., Ltd.* (寧波眾慶貿易有限公司) ("**Ningbo Zhongqing**"), being ultimately owned by Sheng Qing (盛晴) and Ruan Zaizhong (阮再中), an Independent Third Party, as a result of the legal proceedings in relation to a loan dispute between the Ningbo Zhongqing and Shanghai Jinxin (case number: [2023]滬0101民初21203號).

    The abovementioned amount shall be determined in accordance with the amount stipulated in the final effective legal document in relation thereto, and the remaining part shall be paid into the Escrow Account (as defined below) within three business days after the Disposal Agreement has taken effect (and in any event no later than 30 June 2024) and shall be released to the Vendors on the same day on which the registration of the transfer of the Target Equity Interest is completed.

    Given that Ningbo Zhongqing is one of Shanghai Jinxin's creditors and the court's ruling on Shanghai Jinxin's payment obligation would be taken into account in determining the consideration of the Disposal as agreed by the parties of the Disposal Agreement, in order to expedite the resolution of the dispute between Shanghai Jinxin and Ningbo Zhongqing, streamline the payment process and ensure efficient use of funds, the parties to the Disposal Agreement have agreed to transfer the amount due to Ningbo Zhongqing from the Escrow Account to the account of Shanghai Jinxin before payment to Ningbo Zhongqing. In light of the above, the Directors are of the view that such payment arrangement is in the interests of the Company and the Shareholders as a whole.

(2) the second installment: an amount of RMB0.64 billion shall be paid into the Escrow Account (as defined below) no later than 31 December 2024; and

(3) the third installment: the Vendors shall have the options to determine the method of settlement of the remaining RMB0.77 billion of the consideration of the Disposal after considering and observing the market sentiment of the property market in order to assess which of the options bring the most value to the Company, namely:

   (i) in kind, by accepting the transfer of the property interest in the Shanghai Daxing Road Project by Shanghai Jinxin to the Vendors or their designated party through written notice to the Purchaser and Shanghai Jinxin within 3 months after Shanghai Jinxin has obtained the pre-sale certificate as settlement of RMB0.77 billion; or

   (ii) in cash, which shall be paid by the Purchaser to the account designated by the Vendors no later than 31 December 2026.

In the event that the Company opts for the acceptance of the property interest in the Shanghai Daxing Road Project as third installment of the consideration, such acceptance may constitute a notifiable transaction under Chapter 14 of the Listing Rules. Should that be the case, the Company will take appropriate measures to comply with all applicable requirements under Chapter 14 of the Listing Rules as and when appropriate, including but not limited to complying with the notification, announcement, circular and the Shareholders' approval requirements.

Pursuant to the Disposal Agreement, within 10 days of the date of the circular in relation to the Disposal, an escrow account (the "**Escrow Account**") for holding the above first installment and second installment of the consideration for the Disposal Agreement shall be established under the name of the entity designated by the Group, and be jointly managed with the Purchaser or a person designated by the Purchaser. The Vendors and the Purchaser (or their designated parties) shall each appoint a manager of the Escrow Account, totalling two managers and withdrawal of any sum from the Escrow Account shall require the signature of both of the managers appointed by the parties. The Purchaser and the Vendors will jointly set up the Escrow Account and the funds under the Escrow Account will be released by the related bank in accordance with the escrow agreement.

The consideration was determined after arm's length negotiations among the Vendors and the Purchaser after taking into account (i) the assets and liabilities of Shanghai Jinxin; (ii) the valuation of the property interest held by Shanghai Jinxin as at 29 February 2024 of approximately RMB10,763.0 million by an independent professional valuer; (iii) 51% equity interest valuation of Shanghai Jinxin as at 29 February 2024 by an independent professional valuer (valued at approximately RMB873.7 million); (iv) the total amount owed by Shanghai Jinxin to the Jinxin Debts Vendors under the Jinxin Debts; and (v) the paid-up registered capital of Shanghai Jinxin. In the event that the fulfillment of the conditions to the effectiveness of the Disposal Agreement takes place within 30 days before or after 30 June 2024 (being the consideration determination benchmark date of the Disposal), the consideration of the Jinxin Debts will not be adjusted and in the event that completion of the transfer of the Target Equity Interest takes place within 60 days before or after 30 June 2024, the consideration of the Target Equity Interest will not be adjusted. If the relevant fulfillment and completion takes place outside of the aforementioned periods, the consideration will be adjusted on a dollar-for-dollar basis, meaning that for every RMB100.0 interest accrued after 30 June 2024 and until the date of actual effectiveness of the Disposal Agreement, the consideration would be upwardly adjusted by RMB100.0, and the amount of such adjustment shall be added to the second installment mentioned above and be paid accordingly.

The valuation of the property was based on market approach. Market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analyzing such sales, which qualify as 'arms-length' transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available.

In assessing the market value of the relevant property of the Shanghai Daxing Road Project, reference has been made to sale comparables of similar properties in the vicinity. Comparable properties are located in the similar district with similar conditions, size, etc. Comparables that had been selected accommodation value ranges from RMB85,500 to RMB99,900 psm. In the course of the valuation, the relevant adjustment factors such as the accessibility, size, environment, etc. have been considered to determine the unit price of the relevant property of the Shanghai Daxing Road Project.

The valuation of the equity interest was based on asset-based approach. The application of the asset-based approach begins with a company's financial statements. Necessary and appropriate adjustments are made to book values to reflect the fair value of the company. The asset-based approach measures the value of the business entity by making reference to the value of individual assets and liabilities. Adjustments are made to the balance sheet based on the differences between the fair value and book value of the assets and liabilities. The net asset value from the adjusted balance sheet represents the fair value of the business entity.

The valuation was based on following key assumptions:

1. There will be no material changes in relevant laws and regulations, industry policies, fiscal and monetary policies, and economic environment.

2. There will be no material changes in the relevant corporate tax rate, interest rate and exchange rate which would impact the valuation.

3. Shanghai Jinxin will continue to operate on a going concern basis.

4. There are no contingent liabilities, unusual contractual obligations, or significant commitments as at the valuation date.

5. Responsible ownership and competent management are assumed.

6. The information provided by the Company is reliable.

7. The owner can sell the property on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements that would serve to affect the value of the property.

8. No allowance has been made in the valuations for any charges, mortgages or amounts owing either on the property or for any expense or taxation that may be incurred in effecting a sale.

9. Unless otherwise stated, the property is free from encumbrances, restrictions and outgoings of an onerous nature that could affect its value.

10. The property is free from contamination and the ground conditions are satisfactory.

11. The full and proper ownership title of the property has been obtained, and all payable land premium or land-use rights fees have been fully settled.

12. The property has been constructed, occupied and used in full compliance with, and without contravention of, all relevant laws, ordinances and statutory requirements.

13. The property will be developed and completed in accordance with the latest development plan provided to the independent valuer.

14. All consents, approvals and licenses from relevant government authorities for such development proposals have been or will be obtained without onerous conditions or delays.

Performance Guarantee

Pursuant to the Disposal Agreement, the Purchaser has agreed to the following as guarantee for its performance thereunder:

(1) within 3 business days after the Disposal Agreement has taken effect, the Purchaser shall procure Zhongchong Binjiang (or such other shareholding company controlled by the Purchaser) to pledge the 5% equity interest in Shanghai Jinxin to the relevant Jinxin Debts Vendors or their designated party as guarantee to the fulfillment of the Disposal;

(2) the Purchaser shall procure the pledge of the rest of the 44% equity interest in Shanghai Jinxin held by Zhongchong Binjiang (or such other shareholding company controlled by the Purchaser) to the relevant Jinxin Debts Vendors or their designated party as guarantee for fulfillment of the Purchaser's payment obligation of the second and the third installment of the consideration and the relevant liabilities in the following manners:

    (i) upon the completion of the transfer registration of the Target Equity Interest, the Purchaser shall arrange for the 36% equity interest in Shanghai Jinxin held by Zhongchong Binjiang (or a separately established shareholding platform company) to be pledged to the relevant Jinxin Debts Vendors or their designated party. The pledge of 36% equity interest in Shanghai Jinxin and the transfer registration of the Target Equity Interest will be completed simultaneously;

    (ii) the Purchaser shall arrange for the Seized Equity Interest (being 8% equity interest in Shanghai Jinxin as defined below) to be pledged to the relevant Jinxin Debts Vendors or their designated party on the same day the Seized Equity Interest is released (within 5 business days after the effectiveness of the Disposal Agreement);

    (iii) the registration of the transfer of and the pledge of equity interest stated in the above paragraph (i), and the release of the Seized Equity Interest shall be conducted simultaneously; and

(3) relevant pledgee (relevant Jinxin Debts Vendors or their designated party) of the equity interest pledges above shall: (i) release the pledge of 18.9% equity interest in Shanghai Jinxin within 3 business days after the payment of the second installment of the consideration, and (ii) release the pledge of the rest of 30.1% equity interest in Shanghai Jinxin within 3 business days after the payment of the third installment of the consideration which is taken to have been completed when a certificate of registration issued by the relevant governmental department in relation to the release of the pledge has been obtained.

The “Seized Equity Interest” represents 8% equity interest of Shanghai Jinxin held by Zhongchong Binjiang, which has been seized under the request of the Company in certain litigation proceedings between the Company and the Purchaser in relation to a dispute over an amount of approximately RMB76.75 million under the cooperation framework agreement dated 29 December 2016 between the Company and Zhongchong Binjiang (the details of which are set out in the Company’s circular dated 20 January 2017 in relation to the disposal of 49% equity interest of Shanghai Jinxin by the Company to Zhongchong Binjiang). According to the aforementioned cooperation framework agreement, the Group and Zhongchong Binjiang were requested by Shanghai Jinxin to inject funds into Shanghai Jinxin in the proportion of 50:50 as Shanghai Jinxin was in need of funds in and around March 2021 in order to repay the accrued interest under the Syndicated Loan. In this connection, as Zhongchong Binjiang did not have immediately available funds for the aforementioned injection and the Company had agreed to first advance RMB76.75 million to Shanghai Jinxin as a shareholder’s loan. Zhongchong Binjiang has provided a written confirmation to the Company confirming the aforesaid arrangement, and had agreed to repay the aforesaid sum to the Company.

Due to the failure of Zhongchong Binjiang to fulfil its shareholder obligations as agreed, the Company commenced arbitration proceedings against Zhongchong Binjiang and requested to seize the Seized Equity Interest. The aforesaid arbitration proceedings have yet to enter into the substantive hearing stage.

The Group and the Purchaser (the controlling shareholder of Zhongchong Binjiang) reached an agreement in Disposal Agreement pursuant to which the aforesaid shareholder’s loan was deemed as a shareholder’s loan provided to Shanghai Jinxin by the Company which the Company shall recover from Shanghai Jinxin directly, and the Company shall withdraw the arbitration proceedings and release the Seized Equity Interest before Zhongchong Binjiang having pledged 8% equity interest in Shanghai Jinxin to the Company or its designated party as a credit enhancement measure for the subsequent payment for the Disposal.

Conditions Precedent to the Completion of the Transfer of Target Equity Interest

Completion of the transfer of the Target Equity Interest is subject to the following conditions, among others, having been fulfilled:

(1) 5% equity interest in Shanghai Jinxin having been pledged to the relevant Jinxin Debts Vendors or their designated party pursuant to paragraph (1) in the section headed “Performance Guarantee” above and the relevant pledge registration filing process having been completed;

(2) the first installment of the consideration, being RMB2.00 billion, having been paid into the Escrow Account fully in accordance with the terms of the Disposal Agreement (the Vendors shall then arrange the payment of Ningbo Zhongqing Payment to settle the sum owned by Shanghai Jinxin to Ningbo Zhongqing as described in paragraph (1) in the section headed “Consideration and Payment Term” above in this announcement); and

(3) The Purchaser shall have obtained and provided to the Vendors relevant legal documents (including but not limited to the certificate of settlement of the Syndicated Loan) confirming or explaining that the Vendors and related parties have been released/exempted from the liability of Guarantees Provided by the Group under the Syndicated Loan. For the avoidance of doubt, the Transfer of Target Equity Interest will not happen if the Purchaser fails to provide the aforesaid legal documents to the Vendors.

Completion of the Transfer of Target Equity Interest

Within 3 business days after the fulfillment of the abovementioned conditions precedent to the completion of the transfer of the Target Equity Interest, relevant parties shall jointly and on the same day arrange the release of the Pledges of the Target Equity Interest and registration of the transfer of the Target Equity Interest. Transfer of the documents, assets, rights and the control of Shanghai Jinxin shall also be arranged in accordance with the terms set out under the Disposal Agreement.

Conditions Precedent to the Completion of the Assignment of the Rights under the Jinxin Debts

Completion of the assignment of Jinxin Debts is subject to the following conditions, among others, having been fulfilled:

(1) the obligations of Shanghai Jinxin under the agreement in respect of the Syndicated Loan having been settled;

(2) the Purchaser having pledged 49% equity interest of Shanghai Jinxin to the relevant Jinxin Debts Vendors or their designated party in accordance with the above section headed "Performance Guarantee"; and

(3) the first installment of the consideration having been fully and timely paid with the completion of the release of the first installment and second installment of the consideration having been fully paid into the Escrow Account in accordance with the terms set out under the Disposal Agreement.

Completion of the Assignment of Jinxin Debts

On the same day of the fulfillment of the abovementioned conditions precedent to the completion of the assignment of the Jinxin Debts, the Jinxin Debts Vendors shall deliver to the Purchaser the original debt documents of the Jinxin Debts, and shall altogether send a debt assignment notice to the Purchaser. Meanwhile, the Purchaser shall release the second installment of the consideration in the Escrow Account and revoke relevant joint management measures relating to the Escrow Account.

Due to the fact that the Jinxin Debts Vendors had issued commitment letters to the Lenders promising not to transfer the relevant rights relating to the Jinxin Debts without the written consent of the Lenders, if at any time after the Disposal Agreement has taken effect, the Lenders oppose or obstruct the assignment of the Jinxin Debts or hold the Jinxin Debts Vendors responsible in this regard, the Purchaser shall be responsible for coordinating and resolving relevant issues and shall bear any responsibility of the Jinxin Debts Vendors thereby incurred. If the Jinxin Debts are not assigned as a result, the Purchaser shall waive the Jinxin Debts Vendors from any relevant responsibilities.

Financial Assistance

The Group has agreed to provide financial assistance for the Shanghai Daxing Road Project in the monthly amount of approximately RMB0.25 million as basic salary for staff engaged for the aforementioned project from March 2024 to June 2024, totalling approximately RMB1 million. Such financial assistance in the form of loan to Shanghai Jinxin shall bear the interest rate at the loan prime rate, both the principal and interest of which shall be repaid by Shanghai Jinxin on completion of the transfer of the Target Equity Interest.

INFORMATION OF SHANGHAI JINXIN

Shanghai Jinxin is a limited liability company incorporated in the PRC in October 2002 with a registered capital of RMB2,660 million which has been fully paid up. As at the date of this announcement, the Company (through the Equity Interest Vendors) indirectly held 51% equity interest in Shanghai Jinxin with the remaining 49% equity interest in Shanghai Jinxin being held by Zhongchong Binjiang (63.7% equity interest of which is owned by the Purchaser).

Shanghai Jinxin is principally engaged in the development of the Shanghai Daxing Road Project (the property interest of which is wholly owned by Shanghai Jinxin), and its principal asset is the land located at nos. 717–719, Daxing Road, Huangpu District, Shanghai. The Shanghai Daxing Road Project covers a site area of 37,129 square meters. It is planned to be developed into luxury residences, preservation buildings and community commercial properties. The Shanghai Daxing Road Project is currently in the process of land resumption and will be under the Purchaser's control upon the completion of the Disposal. Therefore, the timeline in relation to the attainment of the pre-sale certificate for the project shall, subject to approval from the relevant authorities, depend on the Purchaser's plans for and also the progress of the development of the property of the Shanghai Daxing Road project. As far as the Company is aware and pursuant to discussion with the Purchaser during the negotiation process, it is anticipated that the pre-sale certificate will be obtained in 2026.

The unaudited financial results of the Shanghai Jinxin for the financial years ended 31 December 2022 and 2023 are as follows:

	For the year ended 31 December	
	2022	**2023**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Net profit/(loss) before taxation and extraordinary items	(958)	(1,049)
Net profit/(loss) after taxation and extraordinary items	(958)	(1,049)

As at 29 February 2024, the total assets and total liabilities of Shanghai Jinxin were approximately RMB10,635.59 million and RMB7,541.69 million, respectively, which have not taken into account the valuation of the property interest held by Shanghai Jinxin as at 29 February 2024.

According to the articles of association of Shanghai Jinxin, for significant decisions concerning the Shanghai Jinxin operation or development, unanimous consent from both the Company and Zhongchong Binjiang are required. The Company cannot determine matters or exercise controlling rights at its sole discretion. Therefore, being jointly controlled by the Company and Zhongchong Binjiang, Shanghai Jinxin has been treated as a joint venture of the Company, and the equity investment of the Company in Shanghai Jinxin should be treated as long-term equity investment according to the accounting treatment.

USE OF PROCEEDS AND FINANCIAL IMPACT OF THE DISPOSAL

It is expected that the Group will record unaudited net gains of approximately RMB74.5 million which is calculated by reference to the aggregate consideration of the Disposal (being RMB3.41 billion less the Ningbo Zhongqing Payment) minus (i) the aggregation of the book value of Jinxin Debts and 51% equity interest of Shanghai Jinxin being approximately RMB3.299 billion and (ii) the estimated taxation and transaction costs being approximately RMB3.9 million in aggregate.

Taking into account the equity valuation of Shanghai Jinxin and the consideration of the Target Equity Interest, a provision for impairment has been made for the book value of the Target Equity Interest for the sake of prudence. In making the provision of impairment, the Group has taken into account (1) the estimated additional costs incurred and to be incurred between 29 February 2024 and when the land certificate is obtained, comprising (a) demolition costs of approximately RMB398 million and (b) deed tax and stamp duty of approximately RMB229 million, and (2) an estimated land value added tax of approximately RMB882 million. As a result of the provision for impairment, the book value of the Target Equity Interest (i.e. 51% equity interest in Shanghai Jinxin) as at 29 February 2024 was taken to be RMB800 million.

Calculation of the unaudited net gains is set out as follows:

	RMB (million)
Aggregate consideration of the Disposal Agreement (including Ningbo Zhongoing Payment)	3,410.0
Less:	
Estimated amount of Ningbo Zhongqing Payment	32.5
Book value of the Jinxin Debts as at 29 February 2024	2,499.1
Book value of 51% equity interest of Shanghai Jinxin as at 29 February 2024	800.0
Estimated taxation	1.7
Estimated transaction costs	2.2
Unaudited net gains	74.5

The net proceeds from the Disposal are estimated to be approximately RMB3.374 billion, being calculated with reference to the aggregate consideration of the Disposal (being RMB3.41 billion less the Ningbo Zhongqing Payment) deducting the estimated taxation and transaction costs to be incurred due to the Disposal, being approximately RMB3.9 million in aggregate.

The Group intends to use the net proceeds for (i) the repayment of the outstanding loans of the Group; and (ii) replenish the Group's general working capital.

As at the date of this announcement, Shanghai Jinxin was indirectly owned as to 51% by the Company through the Equity Interest Vendors but is not a subsidiary of the Company. Upon completion of the Disposal, the Company will not have any interest in Shanghai Jinxin.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the announcement of the Company dated 23 August 2023 in relation to, among other things, the proceedings initiated against the Company, according to the result of the inquiries on the official website of public enforcement information (http://zxgk.court.gov.cn) of the Supreme People's Court of the People's Republic of China (the "**PRC**"), Shanghai Jinxin and the Vendors were listed as enforcees of certain enforcement proceedings.

As disclosed in the announcement of the Company dated 29 December 2023 in relation to, among other things, the proceedings initiated against the Company, on 22 December 2023, the Company received a statement of civil claim (民事起訴狀) from the Shanghai Financial Court (上海金融法院) regarding the claims by the Lenders of the Syndicated Loan against the Company.

The obligations of Shanghai Jinxin under the agreement in respect of the Syndicated Loan is to repay the principal amount and the accrued interest, which is secured by Guarantees Provided by the Group. As set out in the paragraph (3) in the section headed "Conditions Precedent to the Completion of the Transfer of Target Equity Interest" in this announcement, prior to the completion of the transfer of the Target Equity Interest, the Purchaser shall have obtained and provided to the Vendors relevant legal documents (including but not limited to the certificate of the settlement of Syndicated Loan) confirming or explaining that the Vendors and related parties have been released or exempted from the liability of Guarantees Provided by the Group under the Syndicated Loan.

In light of the above, the Company has carefully reviewed its financial position, the progress and the development pressure of the various projects it has undertaken. After due deliberation, the Board has decided to withdraw from the Shanghai Daxing Road Project and dispose of the equity interest in Shanghai Jinxin held by the Group.

The proceeds from the Disposal will enhance the Company's cash flow position and offer a solution to resolve the Syndicated Loan and the Guarantees Provided by the Group, reduce the overall debt levels, replenish general working capital, and mitigate legal and operational risks currently faced by the Group.

The total consideration for the Disposal (being RMB3.41 billion less the Ningbo Zhongqing Payment) is higher than the aggregation of the book value of the Target Equity Interest and the rights under the Jinxin Debts as at 29 February 2024. Although 51% of the valuation of the property interest of the Shanghai Daxing Road Project held by Shanghai Jinxin is higher than the total consideration for the Disposal, as Shanghai Jinxin has relatively huge payment liability including that of the principal and accrued interest under the Syndicated Loan, taking into consideration that (a) the Purchaser undertakes to assist the Group to resolve the Group's liability under the Syndicated Loan and the Guarantees Provided by the Group, (b) the uncertainty of the development of the Shanghai Daxing Road project and the sentiment of the property market by the time the property project is completed, and (c) the total consideration for the Disposal offered by the Purchaser provides the Company with the highest proceeds as compared with negotiation with other potential purchasers in respect of the Disposal, the Board is of the view that the consideration of the Disposal is fair and reasonable and in the interest of the Shareholders.

In relation to the deferred payment of the third installment of the consideration, having comprehensively assessed the Company's current financial situation and comparing to the results of preliminary negotiation with other potential purchasers, the Board is of the view that despite the deferral in receipt of the third installment of the consideration, since the transaction could immediately alleviate the Group of some of its current financial burden and currently the proposal is most favourable to the Group allowing for the maximum proceeds from the transaction, the payment arrangement is in the interest of the Company regardless.

On the above basis, the Directors are of the view that the terms of the Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP, THE VENDORS AND THE PURCHASER

The Group

The Group is an integrated real estate developer focusing on high-quality development projects and urban renewal projects in first-tier cities in the PRC, in particular core areas in Shanghai, which is geographically the base for the Group's property development business.

The Vendors

Each of the Vendors is a member of the Group.

Vendor 1 is the Company.

Vendor 2 is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company which holds approximately 5.89% equity interest in Shanghai Jinxin as at the date of this announcement. Vendor 2 is principally engaged in property management, asset management, enterprise management consulting, industrial investment, investment consulting, financial consulting and the investment and operation of real estate properties.

Vendor 3 is a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company. Vendor 3 is an investment holding company with its main assets being the 18.42% equity interest in Shanghai Jinxin, and has no other material assets or business activities.

Vendor 4 is a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company. Vendor 4 is an investment company with its main assets being the 7.89% equity interest in Shanghai Jinxin, and has no other material assets or business activities.

Vendor 5 is a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company which holds approximately 18.80% equity interest in Shanghai Jinxin as at the date of this announcement. Vendor 5 is principally engaged in the development and sale of rural and commercial residential properties, property management and the provision of real estate intermediary and consulting services.

Vendor 6 is a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company. Vendor 6 is principally engaged in investment management.

Vendor 7 is a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company. Vendor 7 is principally engaged in property investment.

The Purchaser

The Purchaser is a limited liability company incorporated in the PRC and is principally engaged in the real estate development and operation business. The ultimate beneficial owners of the Purchaser are Fan Bendi (範本弟) and Qiu Yufeng (仇瑜峰) as at the date of this announcement. To the best of the Directors' knowledge, information and belief, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as disclosed in this announcement, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Purchaser, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of the Purchaser who can exert influence on the transaction (including Fan Bendi and Qiu Yufeng); and (b) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the transaction.

IMPLICATIONS OF THE LISTING RULES

As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal Agreement is over 75%, the Disposal constitutes a very substantial disposal of the Company and is therefore subject to the notification, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, (i) further details of the Disposal Agreement and the Disposal contemplated thereunder; (ii) financial information of Shanghai Jinxin; (iii) pro forma financial information of the Remaining Group; (iv) valuation report on the property interest held by Shanghai Jinxin; (v) other information as required under the Listing Rules; and (vi) a notice convening the SGM is expected to be dispatched to the Shareholders on or no later than 30 April 2024, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

In respect of the Guarantees Provided by the Group and the Jinxin Debts, the Company acknowledges that it should have complied with relevant requirements of Chapters 13, 14 and 14A of the Listing Rules. The Company's non-compliance was inadvertent, and the Company endeavours to take appropriate measures to rectify such non-compliance (including but not limited to fulfilling all relevant disclosure requirement) as soon as practicable, and will conduct further trainings relating to requirements under the Listing Rules for senior management of the Company in the future to prevent the recurrence of such incident.

DEFINITIONS

"Board"	the board of Directors
"Company" or "Vendor 1"	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
"Connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the transaction contemplated under Disposal Agreement
"Disposal Agreement"	the equity interest and loan transfer agreement dated 8 April 2024 entered into between the Vendors and the Purchaser, pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to (i) dispose of the Target Equity Interest; and (ii) assign the rights under the Jinxin Debts, at an aggregate consideration of RMB3.41 billion less the Ningbo Zhongqing Payment
"Equity Interest Vendors"	collectively, Vendor 2, Vendor 3, Vendor 4 and Vendor 5

"Group"	the Company and its subsidiaries
"Guarantees Provided by the Group"	corporate guarantee provided by the Company and Vendor 5 to the Lenders and Pledges of the Target Equity Interest to the Lenders in respect of the Syndicated Loan. Specifically, each of the Company and Vendor 5 provided a corporate guarantee, and each of the Equity Interest Vendors pledged all of their equity interest in Shanghai Jinxin. The guarantors are jointly and severally liable for the repayment obligation in respect of the Syndicated Loan.
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	a person or entity who is not considered as a connected person of the Company under the Listing Rules
"Jinxin Debts"	all the debts owed by Shanghai Jinxin to the Jinxin Debts Vendors in the aggregate amount of approximately RMB2,577.6 million as at 29 February 2024
"Jinxin Debts Vendors"	collectively, Vendor 2, Vendor 5, Vendor 6 and Vendor 7
"Lenders"	collectively, Industrial and Commercial Bank of China Limited, Shanghai Bund branch* (中國工商銀行股份有限公司上海市外灘支行); Industrial and Commercial Bank of China Limited, Shanghai Huangpu Branch* (中國工商銀行股份有限公司上海市黃浦支行); Agricultural Bank of China Limited, Shanghai Jing'an branch* (中國農業銀行股份有限公司上海靜安支行); China Construction Bank Corporation, Shanghai Huangpu branch* (中國建設銀行股份有限公司上海黃浦支行); and Shanghai Pudong Development Bank Co., Ltd., Shanghai Huangpu branch* (上海浦東發展銀行股份有限公司黃浦支行)
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Ningbo Zhongqing Payment"	Shanghai Jinxin's payment obligation to Ningbo Zhongqing in the amount of approximately RMB32.5 million, as a result of the legal proceedings in relation to a loan dispute between Ningbo Zhongqing and Shanghai Jinxin (case number: [2023] 滬0101民初21203號), which shall be paid by Shanghai Jinxin to Ningbo Zhongqing pursuant to paragraph (1) in the section headed "Consideration and Payment Term" in this announcement
"Pledges of the Target Equity Interest"	pledges over the Target Equity Interest to the Lenders as security for the Syndicated Loan
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Purchaser"	Zhongchong Investment Group Co., Ltd.* (中崇投資集團有限公司), a limited liability company incorporated in the PRC and is principally engaged in the real estate development and operation business
"Remaining Group"	the Group immediately after completion of the Disposal
"RMB"	Renminbi, the lawful currency of PRC
"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Disposal Agreement and transaction contemplated thereunder
"Shanghai Daxing Road Project"	the real estate project being developed on the land located at nos. 717–719, Daxing Road, Huangpu District, Shanghai by Shanghai Jinxin
"Shanghai Jinxin"	Shanghai Jinxin Property Co., Ltd.* (上海金心置業有限公司), a limited liability company incorporated in the PRC and is mainly engaged in real estate development business in the PRC

"Share(s)"	ordinary shares in the share capital of the Company
"Shareholder(s)"	registered holder(s) of the Shares from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Syndicated Loan"	the syndicated bank loan owed by Shanghai Jinxin to the Lenders, in the principal amount of RMB4,451.82 million, together with the accrued interest
"Target Equity Interest"	51% equity interest in Shanghai Jinxin collectively held by the Equity Interest Vendors, which had been pledged to the Lenders as security for the Syndicated Loan
"Vendor 2"	SRE Jiaye Real Estate Development (Shanghai) Company Limited* (上置嘉業房地產發展(上海)有限公司), a limited liability company incorporated in the PRC, an indirect wholly-owned subsidiary of the Company which held approximately 5.89% equity interest in Shanghai Jinxin as at the date of this announcement
"Vendor 3"	Shunlink Investment Limited* (上聯投資有限公司), a company established in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company, which held approximately 18.42% equity interest in Shanghai Jinxin as at the date of this announcement
"Vendor 4"	Gaken Investment Limited* (嘉勤投資有限公司), a company established in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company, which held approximately 7.89% equity interest in Shanghai Jinxin as at the date of this announcement
"Vendor 5"	Shanghai Oasis Garden Real Estate Company Limited* (上海綠洲花園置業有限公司), a limited liability company incorporated in the PRC, an indirect wholly-owned subsidiary of the Company which held approximately 18.80% equity interest in Shanghai Jinxin as at the date of this announcement

"Vendor 6"	Shangzhi Yijia Investment Management (Shanghai) Company Limited* (上置毅家投資管理(上海)有限公司), a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company
"Vendor 7"	Shanghai SRE Real Estate Development Co., Ltd.* (上海上置房地產發展有限公司), a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company
"Vendors"	collectively, Vendor 1, Vendor 2, Vendor 3, Vendor 4, Vendor 5, Vendor 6 and Vendor 7
"Zhongchong Binjiang"	Shanghai Zhongchong Binjiang Industrial Development Co., Ltd.* (上海中崇濱江實業發展有限公司), a limited liability company established in the PRC, an independent third party of the Company and 63.7% equity interest of which is owned by the Purchaser
"%"	per cent

By Order of the Board
SRE Group Limited
Qin Guohui
Chairman

Hong Kong, 8 April 2024

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Qin Guohui, Mr. Kong Yong, Mr. Xu Ming and Mr. Jiang Qi; two non-executive directors, namely Mr. Lu Jianhua and Mr. Pan Pan; and three independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Ma Lishan and Mr. Chui Man Lung, Everett.

* *For identification purpose only*