THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

SRE
上置集团

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 AND NOTICE OF SPECIAL GENERAL MEETING

Capitalised terms used in this cover page have the same meanings as defined in this circular unless otherwise provided.

A letter from the Board is set out on pages 5 to 24 of this circular.

A notice convening the SGM of the Company to be held at 3rd Floor, Building 5, Oasis Central Ring Center, Lane 1628, Jinshajiang Road, Putuo District, Shanghai, China on Wednesday, 29 May 2024 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use at the SGM is also enclosed with this circular. Whether or not you are able to attend the SGM, please complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable, but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and, in such event, the instrument appointing a proxy will be deemed to be revoked.

* *For identification purpose only*

Hong Kong, 10 May 2024

CONTENTS

LIVE STREAMING WEBCAST

To enable Shareholders to participate in the SGM, Shareholders not attending the SGM in person may join a live streaming webcast of the SGM where they can view and listen to the SGM.

Shareholders that intend to participate in the SGM through such means must contact and register with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, by email at is-enquiries@hk.tricorglobal.com or by telephone hotline at (852) 2980 1333 no later than 10:00 a.m. on 28 May 2024 to obtain a webcast link address and passcode.

Shareholders should note that viewing the live streaming webcast of the SGM will not be counted towards a quorum nor will such participating Shareholders be able to cast their votes online.

SUBMISSION OF QUESTIONS PRIOR TO AND AT THE SPECIAL GENERAL MEETING

Shareholders can also submit their questions in relation to the matters to be discussed at the SGM (a) in advance by sending them through email to is-enquiries@hk.tricorglobal.com or telephone hotline at (852) 2980 1333 of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, not later than 10:00 a.m. on 28 May 2024; or (b) online during the live streaming webcast. The Company will endeavour to address as many relevant questions as possible at the SGM.

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

"Announcement"	the announcement of the Company dated 8 April 2024 in relation to (1) the disposal of 51% equity interest in Shanghai Jinxin; and (2) the assignment of rights under the Jinxin Debts
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday) on which banks are open for business in Hong Kong and on which no typhoon signal no. 8 or above or the black rainstorm signal is hoisted in Hong Kong at any time after 9:00 a.m.
"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 debts 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 (subject to adjustment) 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
“Independent Valuer”	Colliers Appraisal & Advisory Services Co., Ltd.
“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
“Latest Practicable Date”	10 May 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“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 the “Letter from the Board” in this circular
“Pledges of the Target Equity Interest”	pledges over the Target Equity Interest to the Lenders as security for the Syndicated Loan
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular, 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
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"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
"US$"	United States dollars, the lawful currency of the United States of America

"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 Latest Practicable Date
"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 Latest Practicable Date
"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 Latest Practicable Date
"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 Latest Practicable Date
"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

* *For identification purpose only*

SRE GROUP LIMITED
上 置 集 團 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

Board of Directors:
Executive Directors
Mr. Qin Guohui *(Chairman)*
Mr. Kong Yong *(Acting Chief Executive Officer)*
Mr. Xu Ming
Mr. Jiang Qi

Non-executive Directors
Mr. Lu Jianhua
Mr. Pan Pan

Independent non-executive Directors
Mr. Zhuo Fumin
Mr. Ma Lishan
Mr. Chui Man Lung, Everett

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Suite 2806A, 28/F.
Central Plaza
18 Harbour Road, Wanchai
Hong Kong

Hong Kong, 10 May 2024

To the Shareholders

Dear Sir or Madam,

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
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the Disposal Agreement and the Disposal.

The purpose of this circular is to provide you with (i) 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.

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 (subject to adjustment) 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, which will increase from time to time due to the accrued interest. The aggregate outstanding amount of the Jinxin Debts is approximately RMB2,499.1 million as at 29 February 2024, and approximately RMB2,577.6 million as at 30 June 2024 (being the consideration determination benchmark date of the Disposal), respectively, details of which are set out in the table below:

	The outstanding amount of the Jinxin Debts	
Vendor	**as at 29 February 2024**	**as at 30 June 2024**
	RMB million	*RMB million*
Vendor 2	106.2	106.2
Vendor 5	818.7	856.4
Vendor 6	1,373.2	1,411.7
Vendor 7	201.0	203.3
Total	2,499.1	2,577.6

Save for the accrued interest, the Jinxin Debts subject to the Disposal will not have a material difference between 30 June 2024 and the completion of the assignment of the rights under the Jinxin Debts. For the avoidance of doubt, the disclosure of financial assistance to Shanghai Daxing Road Project agreed to be provided by the Group in the monthly amount of approximately RMB0.25 million from March 2024 to June 2024 as set out on page 17 of this circular is just for additional explanatory purpose to help the Shareholders to have a clearer knowledge of the financial position of Shanghai Jinxin, which is not included in the Jinxin Debts and is not a subject matter of or a condition precedent to the completion of the Disposal.

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 total assets and total liabilities of Shanghai Jinxin as at 29 February 2024, being approximately RMB9,593.19 million and RMB7,549.79 million respectively; (ii) the valuation of the property interest held by Shanghai Jinxin as at 29 February 2024 of approximately RMB10,763.0 million by the Independent Valuer; (iii) the entire equity interest valuation of Shanghai Jinxin as at 29 February 2024 by an independent professional valuer (valued at approximately RMB1,713.1 million) multiplied by 51%, being approximately RMB873.7 million; (iv) the total amount owed by Shanghai Jinxin to the Jinxin Debts Vendors under the Jinxin Debts as at 30 June 2024 (being the consideration determination benchmark date of the Disposal); and (v) the paid-up registered capital of Shanghai Jinxin, being RMB2,660 million. 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. As the above consideration determination benchmark date of the Disposal provides a relatively certain basis for both parties to evaluate the consideration of the Disposal, and the consideration adjustment mechanism also takes into account the necessary adjustments required to be made due to the possible delay in the process of the Disposal which would lead to the increase in the accrued interest of the Jinxin Debts, the Company is of the view that the consideration of the Disposal is fair and reasonable.

Furthermore, the Company considers the consideration for the disposal of the Target Equity Interest (being RMB800 million) is fair and reasonable although it is lower than the book value of the Target Equity Interest (being RMB1,042 million) and its valuation (being RMB873 million) by approximately RMB242 million (or 23.22%) and RMB73 million (or 8.36%) respectively, because (i) the Target Equity Interest had been pledged to the Lenders as security for the outstanding Syndicated Loan, the Group considers it is reasonable to make aforesaid discount to the consideration for the disposal of the Target Equity Interest taking into account the relevant risk raised by, including but not limited to the Lenders' rights to apply for seizure and enforcement of Target Equity Interest; (ii) further to (i), there is a risk that the Target Equity Interests will be sold by the Lenders at a discounted auction price of 20-30% to repay the outstanding Syndicated Loan, in which case the loss of the Group is expected to be larger than the current discounted consideration for the disposal of the Target Equity Interest; (iii) in addition, Shanghai Jinxin is a loss-making company with no operating income, and continues having to pay huge annual operating and development costs for the development of the Shanghai Daxing Road Project held by it before the properties under the project can be sold for realisation. If the Target Equity Interest is disposed of under the proposed Disposal Agreement, the future loss of the Group will be reduced in the long run; and (iv) taking into account the Group's current circumstances of tight liquidity and other default indebtedness, the proceeds expected to be made out of the disposal of the Target Equity Interests can significantly improve the Group's liquidity and resolve the uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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 plot ratio, development in vicinity, public facilities, accessibility, etc. have been considered to get the adjusted accommodation value of each comparable. And then average adjusted accommodation value of the comparables was adopted to determine the accommodation value of the 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.

The reconciliation between the valuation of the property interest of Shanghai Jinxin as at 29 February 2024 and the line item Properties under development of the unaudited statements of financial position of Shanghai Jinxin as at 31 December 2023 is set out as follows:

	RMB (million)
Valuation of the property interest as at 29 February 2024 and 31 December 2023	10,763
Less:	
Estimated additional demolition costs incurred and to be incurred between 31 December 2023 and when the land certificate is obtained	332
Deed tax and stamp duty to be incurred before the land certificate is obtained	229
Estimated land value added tax	881
Line item Land development expenditure of Shanghai Jinxin as at 31 December 2023	9,321

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 Purchaser's payment obligation of the second installment of the consideration;

(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 installments 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 Letter from the Board); 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.

As at the Latest Practicable Date, the Disposal Agreement has not become effective yet as the conditions to effectiveness of the Disposal Agreement disclosed in the paragraph headed "Conditions to Effectiveness" on page 8 of this circular have not been fulfilled, and therefore none of the aforesaid conditions precedent to the completion of the transfer of Target Equity Interest has been fulfilled.

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.

As at the Latest Practicable Date, the Disposal Agreement has not become effective yet as the conditions to effectiveness of the Disposal Agreement disclosed in the paragraph headed "Conditions to Effectiveness" on page 8 of this circular have not been fulfilled, and therefore none of the aforesaid conditions precedent to the completion of the assignment of the rights under the Jinxin Debts has been fulfilled.

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.

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 Latest Practicable Date, 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 such as Shanghai Huangpu District Housing Security and Housing Administrative Bureau* (上海市黃浦區住房保障和房屋管理局), 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	(22,110)	(1,096,177)
Net profit/(loss) after taxation and extraordinary items	(22,110)	(1,096,177)

As at 29 February 2024, the total assets and total liabilities of Shanghai Jinxin were approximately RMB9,593.19 million and RMB7,549.79 million, respectively, which have taken into account the valuation of the property interest held by Shanghai Jinxin as at 29 February 2024.

Financial Assistance to Shanghai Jinxin

On 1 March 2024, the Group 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. The aforesaid financial assistance agreed to be provided by the Group is for the purpose of supporting the daily operation of Shanghai Jinxin and the development of Shanghai Daxing Road Project, so as to ensure a proper completion of the Disposal. For the avoidance of doubt, the above disclosure of financial assistance agreed to be provided by the Group is just for additional explanatory purpose to help the Shareholders to have a clearer knowledge of the financial position of Shanghai Jinxin, which is not included in the Jinxin Debts and is not a subject matter of or a condition precedent to the completion of Disposal.

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 investments in joint ventures 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 as at 29 February 2024; and (ii) the estimated taxation and transaction costs being approximately RMB3.9 million in aggregate.

Accordingly, the Disposal is expected to lead to an increase of approximately RMB74.5 million in the Group's total assets and will not affect the Group's total liabilities.

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

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.

Such above provision for impairment has been made on 31 December 2023, because the Independent Valuer valued the property interests held by Shanghai Jinxin by reference to the price of publicly tendered land in the neighbouring market to assess the market valuation of the property interests held by Shanghai Jinxin at the time of obtaining the land certificates. However, the property interest (i.e. land right) held by Shanghai Jinxin is still in the process of demolition and relocation, therefore certain costs of demolition and relocation are still to be incurred before the property interest can reach the status corresponding to the valuation of the property interest held by Shanghai Jinxin as mentioned above, and the future demolition and relocation costs to be incurred need to be subtracted from the valuation of the property interest in order to reflect the fair value of the property interest held by Shanghai Jinxin in its current state. Moreover, in accordance with relevant accounting standards, the transaction taxes and fees arising from the realisation of the property interest need to be taken into account in the impairment test of the property interest, and therefore, the deed tax, stamp duty and land value-added tax to be incurred also need to be subtracted. The above property interest impairments resulted in a corresponding impairment of the net assets of Shanghai Jinxin and hence the valuation of the equity interest of Shanghai Jinxin was also impaired accordingly, and the deductions taken into account for the above impairments have been taken into account and deducted in the valuation of equity interest of Shanghai Jinxin as set out in the valuation report in Appendix VI to this circular.

Quantitative basis of the impairment made for the book value of the Target Equity Interest is set out as follows:

	RMB (million)
The book value before impairment of Target Equity Interest in the Group's unaudited consolidated financial statements for the year ended 31 December 2023	1,387.2
The valuation of the entire equity interest in Shanghai Jinxin* 51%	1,031.5
Impairment provision (1)	***355.7***
The consideration proposed by the Purchaser for the disposal of Target Equity Interest	800.0
Impairment provision (2)	***231.5***

Notes:

(1) After making such impairment provision, the book value of the Target Interest in the Group's unaudited consolidated financial statements was approximately RMB1,031.5 million, which is in line with 51% of the valuation of the entire equity interest Shanghai Jinxin as at 31 December 2023.

(2) The consideration proposed by the Purchaser for the disposal of the Target Equity Interest is the highest among the quotes the Group got through preliminary negotiation with all potential purchasers, and taking into account current market conditions, likely to be the maximum proceeds the Group can obtain from the disposal of the Target Equity Interests, which is also lower than 51% of the valuation of the entire equity interest in Shanghai Jinxin as at 31 December 2023. Therefore, further impairment was made for prudential reasons.

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 Latest Practicable Date, 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 Letter from the Board, 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, the payment arrangement is in the interest of the Company regardless, because (i) it allows for the maximum proceeds from the transaction compared to results of preliminary negotiation with other potential purchasers; (ii) the first and second installments of the consideration could immediately alleviate the Group of some of its current financial burden; and (iii) it gives the Company an option of accepting the transfer of property or receiving consideration in cash for the third instalment 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.

Furthermore, in terms of safeguarding the deferred payment of the third installment of the consideration, as disclosed in the section headed "Performance Guarantee" above, certain measures have been taken in order to guarantee the Purchaser's performance of its obligations under the Disposal Agreement, especially, the pledge of 30.1% equity interest in Shanghai Jinxin shall be not released until the payment of the third installment of the consideration by the Purchaser. The Company considers such performance guarantee reasonable and sufficient to protect the interest of the Company and its Shareholders as a whole, as in the event that the Purchaser fails to perform its obligation of the payment of the third installment of the consideration, the Company shall be entitled to apply for enforcement of such guaranteed 30.1% equity interest in Shanghai Jinxin, the value of which based on the fully-paid registered capital in Shanghai Jinxin is higher than the third instalment of the consideration (and will be even higher if Shanghai Jinxin's capital reserve is taken into account), for the purpose of obtaining damages for losses incurred as a result of such breach of the Purchaser.

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 Latest Practicable Date. 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 Latest Practicable Date. 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 Latest Practicable Date. 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 circular, 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.

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.

SGM

The SGM will be held at 3rd Floor, Building 5, Oasis Central Ring Center, Lane 1628, Jinshajiang Road, Putuo District, Shanghai, China on Wednesday, 29 May 2024 at 10:00 a.m. for the purpose of, among other matters, considering and, if thought fit, approving the Disposal Agreement and the Disposal. The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular.

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

A form of proxy for use at the SGM and any adjournment thereof is enclosed with this circular and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.sre.com.cn). Whether or not you are able to attend the SGM, please complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable, but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and, in such event, the instrument appointing a proxy will be deemed to be revoked.

To the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has a material interest in the Disposal Agreement or the Disposal, and therefore no other Shareholder is required to abstain from voting on the proposed resolutions approving the Disposal Agreement or the Disposal thereunder.

In order to determine the list of Shareholders who will be entitled to attend and vote at the SGM, the register of members of the Company will be closed for registration of transfer of Shares from Monday, 27 May 2024 to Wednesday, 29 May 2024 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 29 May 2024 shall be entitled to attend and vote at the SGM. In order for the Shareholders to qualify for attending and voting at the SGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Tricor Tengis Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong on or before 4:30 p.m., Friday, 24 May 2024.

RECOMMENDATION

Having considered the reasons set out herein, the Directors (including the independent non-executive Directors) consider that the entering into of the Disposal Agreement or the Disposal thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal Agreement or the Disposal thereunder.

ADDITIONAL 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
Qin Guohui
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 2020, 2021 and 2022, and for the six months ended 30 June 2023 together with the relevant notes thereto are disclosed in the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022, respectively, and in the interim report of the Company for the six months ended 30 June 2023 which have been published and are available on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (www.sre.com.cn):

(i) the Annual Report 2020 of the Company for the year ended 31 December 2020 published on 28 April 2021:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042800433.pdf

(ii) the Annual Report 2021 of the Company for the year ended 31 December 2021 published on 29 April 2022:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042902510.pdf

(iii) the Annual Report 2022 of the Company for the year ended 31 December 2022 published on 28 August 2023:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0828/2023082800063.pdf; and

(iv) the Interim Report of the Company for the six months ended 30 June 2023 published on 18 April 2024:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0418/2024041800039.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

Borrowings

As at 31 March 2024, being the latest practicable date for this indebtedness statement, the details of the Group's outstanding borrowings were as follows:

	Notes	**31 March 2024** *RMB'000*
Bank borrowings – secured and guaranteed	*(a)*	172,569
Bank borrowings – secured and unguaranteed	*(b)*	642,970
Other borrowings – secured and guaranteed	*(c)*	87,500
Other borrowings – unsecured and guaranteed	*(d)*	180,000
Other borrowings – unsecured and unguaranteed		177,370
Current portion		1,260,409
Other borrowings – secured and guaranteed	*(e)*	560,000
Other borrowings – secured and unguaranteed	*(f)*	619,736
Other borrowings – unsecured and unguaranteed		2,652,237
Non-current portion		3,831,973
Total		5,092,382

Notes:

(a) As at 31 March 2024, the Group's bank borrowings of approximately RMB172.57 million were guaranteed by the Company and certain subsidiaries, and secured by the pledges of investment properties, right-of-use assets, property, plant and equipment, prepaid land lease payments and properties held or under development for sale of certain subsidiaries of the Group.

(b) As at 31 March 2024, the Group's bank borrowings of approximately RMB642.97 million were secured by the pledges of bank deposits, receivables and investment properties of a subsidiary of the Group.

(c) As at 31 March 2024, the Group's other borrowings of approximately RMB87.50 million were guaranteed by a subsidiary of the Group and secured by the pledges of investment properties of a subsidiary of the Group.

(d) As at 31 March 2024, the Group's other borrowings of approximately RMB180.00 million were guaranteed by the Company.

(e) As at 31 March 2024, the Group's other borrowings of approximately RMB560.00 million were guaranteed by the Company and secured by equity interests in a subsidiary of the Group.

(f) As at 31 March 2024, the Group's other borrowings of approximately RMB619.74 million were secured by equity interests in a joint venture of the Group.

Lease liabilities

As at 31 March 2024, the Group had current and non-current lease liabilities which amounted to approximately RMB3.05 million and RMB26.60 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 relevant mortgage loans are granted and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into such guarantee contracts with principal amounts totaling approximately RMB65.85 million and these contracts were still effective as at the close of business on 31 March 2024.

The Group provided guarantee to the syndicated bank loan for a joint venture of the Group. As at 31 March 2024, such guarantee amounted to approximately RMB4,451.82 million. As at 31 March 2024, the Group also provided guarantee to another joint venture's bank borrowings of approximately RMB378.00 million.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business of the Group, as at the close of business on 31 March 2024, 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 contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

As at 31 March 2024, the Group's current liabilities included approximately RMB1,260.4 million of borrowings, among which amounting to approximately RMB1,037.8 million were defaulted and became immediately repayable if requested by the lenders. As at 31 March 2024, however, the Group's cash and cash equivalents amounted to approximately RMB108.4 million only.

The defaults of these borrowings were triggered by (1) the deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018; (2) the arrest of Mr. Peng Xinkuang, a former executive director and the former chief executive officer and chairman of the Board, and the detention of Mr. Chen Donghui, a former executive Director, by the relevant authorities in the PRC in January and February 2020; and (3) the default of syndicated bank loan of its joint venture namely Shanghai Jinxin Property Co., Ltd. (the "**Shanghai Jinxin**"), which the aforesaid syndicated bank loan is guaranteed by the Group. In addition, the continuous default of the Shanghai Jinxin's syndicated bank loan resulted in the relevant lenders having the right to demand, and the relevant lenders have demanded, the Group to fulfill its guarantee obligation to repay the loan, including an outstanding principal of approximately RMB4,451.8 million and related interests and bank fees of approximately RMB279.8 million as at 31 December 2022, and the relevant lenders will also have the right to apply for court's forcible execution, including but not limited to dispose of the Group's equity interests in the Shanghai Jinxin which were pledged as collateral for the guarantee. Subsequently in August 2023, the relevant lenders of the Shanghai Jinxin applied for the court to enforce their above rights. The default of the Shanghai Jinxin's syndicated bank loan was triggered by the matters described in above (1) and (2), as well as a series of events occurred in 2022 and subsequently as described below:

(1) The syndicated bank loan was extended for maturity to 26 December 2022 ("**Extension Agreement**") in December 2021. Apart from the terms in the original syndicated loan agreements, the Extension Agreement explicitly stipulated two additional events of defaults, being the Shanghai Jinxin's failure to pay the interest due on 21 March 2022 and the Shanghai Jinxin's failure to meet the target progress of its project resettlement and land titles on 31 March 2022. The Shanghai Jinxin failed to fulfil both conditions upon respective due dates, and as a result, the relevant lenders of the syndicated bank loan issued a demand letter to the Shanghai Jinxin and guarantors on 22 March 2022, requesting that the Shanghai Jinxin and the guarantors shall fulfill their relevant payment or guarantee obligations by 31 March 2022, failing which the lenders might recall the entire syndicated bank loan or take further legal actions. The Shanghai Jinxin borrowed an entrusted loan of approximately RMB183.6 million from a third party (the "**TP**") on 20 May 2022, which was guaranteed by the Group and pledged with certain Group assets of approximately RMB59 million, and repaid the aforementioned overdue interests on 21 May 2022.

(2) The Shanghai Jinxin failed to repay the above-mentioned entrusted loan and its interests to the TP due on 30 August 2022. The TP filed a lawsuit on 13 September 2022 against the Shanghai Jinxin, the shareholders of the Shanghai Jinxin and the subsidiary of the Group owning the pledged assets for the overdue repayment, and further requested the court to freeze partial shareholders' equity interests in the Shanghai Jinxin (the "**Frozen Shanghai Jinxin Equity by the TP**") including approximately 7% of equity interests (approximately RMB114.9 million of carrying amount as at 31 December 2022) held by the Group (the "**TP Lawsuit**"). The Shanghai Jinxin was subsequently financed by the Group and repaid the entrusted loan principals and interests on 28 September 2022. The Frozen Shanghai Jinxin Equity by the TP was subsequently released in March 2023.

(3) On 22 September 2022, due to the Shanghai Jinxin's default under the terms of above Extension Agreement and the Frozen Shanghai Jinxin Equity by the TP, the relevant lenders of the syndicated bank loan issued a letter to the Shanghai Jinxin and the relevant guarantors (including the Group) and declared the immediate maturity of the syndicated bank loan principals of approximately RMB4,451.8 million and related interests, and requested each of the guarantors to fulfill their relevant guarantee obligations immediately. On 9 October 2022, the relevant lenders requested the court to freeze the Group's entire 51% equity interests in the Shanghai Jinxin with a carrying amount of approximately RMB1,642.1 million as at 31 December 2022 (the "**Frozen Shanghai Jinxin Equity by the Banks**"), and certain subsidiaries' equity interests within the Group held by one of the guarantors (the "**Other Frozen Equity Interests of the Group**").

(4) On 1 November 2022, the relevant lenders filed a lawsuit against the Shanghai Jinxin and the subsidiaries of the Company (being the shareholders of the Shanghai Jinxin whose equity interests in the Shanghai Jinxin were pledged as collateral for the syndicated bank loan, one of which also provided guarantee for the Shanghai Jinxin's syndicated bank loan), demanding the Shanghai Jinxin to immediately repay the entire principals of the syndicated loan and related interests, other fees and relevant expenses totaling approximately RMB4,591.6 million and the guarantors to fulfill guarantee obligations, and declared their rights for further actions (the "**Banks Lawsuit**"). The Shanghai Jinxin and its guarantors were not able to fulfill the relevant obligations until the date of this circular.

(5) Subsequently, the relevant lenders, the Shanghai Jinxin and the guarantors have negotiated and reached mutual agreements, on the basis of which the court issued a settlement judgement on 18 January 2023 (the "**Settlement Judgement**") under the conditions including mainly (a) the Shanghai Jinxin's payment of overdue interests of approximately RMB166.9 million by 12 January 2023; (b) the Shanghai Jinxin's payment of legal costs of approximately RMB11.5 million by 31 January 2023; (c) the Shanghai Jinxin's payment of accrued outstanding interests up to 20 June 2023 by 21 June 2023; (d) the release of the Frozen Shanghai Jinxin Equity by the TP by 21 June 2023; and (e) the Shanghai Jinxin's repayment of entire syndicated bank loan principals of approximately RMB4,451.8 million and outstanding interests, as well as total outstanding bank fees of approximately RMB145.1 million by 30 June 2023. In the event of failure of fulfilling each of the above obligations by the specified dates, the relevant lenders will have the rights to demand each of the guarantors to fulfill guarantee obligations immediately, and/or to request the enforcement of divestment of the Group's pledged 51% equity interests in the Shanghai Jinxin.

(6) The Shanghai Jinxin, further financed by the Group, fulfilled above conditions (a) and (b) under the Settlement Judgement on 11 January 2023 and 30 January 2023 respectively, and the "Frozen Shanghai Jinxin Equity by the TP" was released on 23 March 2023. However, the Shanghai Jinxin failed to pay the interest due on 21 June 2023 and the entire syndicated bank loan principals of approximately RMB4,451.8 million and outstanding interests, as well as the outstanding bank fees due on 30 June 2023. The relevant lenders issued a letter on 25 June 2023, demanding the Shanghai Jinxin and the guarantors to fulfil their relevant payment or guarantee obligations pursuant to the Settlement Judgement, failing which the relevant lenders will have the rights to directly apply for court's forcible execution of the Settlement Judgement, including auction or sale of the assets under collateral, including the Group's 51% equity interests in the Shanghai Jinxin to fulfil the repayment obligations as specified in the Settlement Judgement.

(7) Based on the results of search conducted on the official website of the Supreme People's Court of the PRC, the Shanghai Jinxin and each of the Company's subsidiaries being the shareholders of the Shanghai Jinxin were listed as targets of a court enforcement order which was filed on 7 August 2023 with case number "2023滬74執1509號" by Shanghai Financial Court, for an amount of enforcement action of approximately RMB4,451.8 million. As a result of the Disposal Transaction as set out in plans and measures (6) mentioned below, the Group has communicated with the relevant lenders and was aware that the court enforcement order relates to the Settlement Judgement, and the order enforces execution of the terms in the Settlement Judgement and demands each of the guarantors to fulfill guarantee obligations immediately, and/or the sale of the Group's 51% equity interests in the Shanghai Jinxin pledged as collateral (all together the "**Enforcement of Settlement Judgement**"). As at the date of this circular, the Group has been discussing with the relevant lender to reach a new settlement agreement so that the relevant lenders would suspend or cease the Enforcement of Settlement Judgement and unfreeze the Group's entire 51% equity interests in the Shanghai Jinxin.

The above conditions indicate material multiple uncertainties exist that 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 certain 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 the deterioration of the financial conditions of China Minsheng, Mr. Peng's Arrest and Mr. Chen's Detention Matters and the default of a Shanghai Jinxin syndicated bank loan guaranteed by the Group. The Group was unable to obtain written agreements with relevant lenders of the Shanghai Jinxin that they will suspend or cease the Enforcement of Settlement Judgement and grant more time for the Shanghai Jinxin and the Group to arrange the fundings. As such, based on the existing confirmed facilities, 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 has formulated the following plans and measures to mitigate the liquidity pressure arising from the default of the Shanghai Jinxin's syndicated bank loan and the other defaults, and to improve its cashflows:

(1) The Group initiated communication with the relevant lenders of the Shanghai Jinxin's syndicated bank loan on 29 June 2023 seeking the relevant lenders' support including but not limited to a further extension for the repayments of principals and overdue interests of the Shanghai Jinxin's syndicated bank loan, so that the Shanghai Jinxin and guarantors have more time to explore any other feasible means to arrange financing plans for the Shanghai Jinxin. The Group is also in negotiation with the other shareholder of the Shanghai Jinxin for the arrangement of providing additional shareholders' financing to the Shanghai Jinxin for interest repayments. For the Enforcement of Settlement Judgement, the Group will continue to communicate with the relevant lenders for its plans and measures from time to time, including but not limited to restructuring of the syndicated bank loan, disposal plan of the equity interests held to the Target Company, guidance from relevant government bodies and future development plan of the Shanghai Jinxin's project and so on, so that to persuade the relevant lenders to suspend or cease the Enforcement of Settlement Judgement and grant more time and extend the repayment date of the Shanghai Jinxin's syndicated bank loan. Neither the relevant lenders of Shanghai Jinxin's syndicated bank loan nor the other shareholder of the Shanghai Jinxin have responded to these communications. However, the Directors believe the Group can convince the relevant lenders to suspend or cease the Enforcement of Settlement Judgement, and grant more time for the Shanghai Jinxin and the Group to arrange the fundings for the following reasons:

   (a) the Company has been taking proactive measures to obtain additional fundings as set out in (3) mentioned below, in order that Shanghai Jinxin's land certificate could be obtained from relevant government authorities and relevant pledging registration could be completed after the project resettlement could be finished as soon as possible, which could in turn restructure the Shanghai Jinxin's syndicated bank loan and facilitate development of the project;

   (b) the PRC government introduced favourable policies for the real estate industry which include the extension of certain regulations relating to financial support for the real estate industry which should boost confidence in the property market in the PRC.

(2) The Group and its ultimate holding company has communicated with relevant government bodies to seek support for the Shanghai Jinxin's and the Group's various efforts in restructuring the syndicated bank loan, and to seek extension of the repayment to 31 December 2024. The Group has not received response to such communication yet.

(3) The Group is also helping the Shanghai Jinxin to negotiate with other financial institutions to develop certain suitable plans to obtain future financing to restructure the syndicated bank loan and further development of the project of the Shanghai Jinxin. The Group is currently discussing these plans with all relevant parties including but not limited to the other shareholder of the Shanghai Jinxin, the relevant lenders of the Shanghai Jinxin's syndicated bank loan, and participating financial institutions.

(4) The Group has been proactively communicating with the other lenders of the Group to explain the Group's business, operations, financial condition and cash position, and the Group will be able to arrange sufficient financial resources to support the repayments of the relevant loans under the contractual repayment schedules. Lenders of the Group has, in the past two years, extended terms of various loans taken out by the Group and has been supportive of the Group's operation, and therefore, the directors are confident to convince the other lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

(5) The Group has been communicating with the Company's ultimate holding company and certain related parties to extend repayment of the certain borrowing which are repayable on demand. The Company's ultimate holding company has lowered the interest rate of various shareholder's loans provided to the Company and extended the terms of such loans in the past, including such measures carried out in 2022 in respect of shareholder's loans to the Company in the aggregate amount of over RMB3 billion. As the Company is a subsidiary of its largest shareholder, it is in the interest of the Company's ultimate holding company and its related parties to extend the terms of loans provided to the Group and therefore, the directors are confident that the extension can be supported by these related parties.

(6) On 8 April 2024, the Group entered into a disposal agreement to which the purchaser conditionally agreed to acquire and the Group conditionally agreed to: (i) dispose of entire interest in Shanghai Jinxin; and (ii) assign the rights under the debts owed by Shanghai Jinxin to the Group, at an aggregate consideration of approximately RMB3.41 billion less the payment 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 to the Group, 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 "**Disposal Transaction**").

(7) The Group has also planned various actions to improve its cash flows, which mainly include (a) speeding up the presale or sale the Group's properties completed or under development and collection of relevant proceeds; (b) sale of its investments in certain joint ventures, development projects, and financial assets at a reasonable price; (c) collecting certain shareholder loans and receivables from a joint venture, etc. As the PRC authorities have introduced favourable policies for the real estate industry, market sentiment and hence sales of ongoing projects should improve. As the Company has also been in discussion with third parties for the sale of assets of the Group, it is evident that there is demand for assets of the Group, the sale of which could generate cash flows for the Company. The Group has also taken actions in collecting loans and receivables from joint ventures and has collected an aggregate sum of approximately RMB38 million in 2023. As such, the directors are confident that the Group will be able to successfully and timely generate cash inflows for the Group from the above-mentioned actions.

The directors are of the opinion that, taking into account the above-mentioned plans and measures, the existing lenders of the Group will not demand immediate repayment of the existing loans of the Group due to above defaults, and relevant lenders of the Shanghai Jinxin's syndicated bank loan will suspend or cease the Enforcement of Settlement Judgement and grant further extension of the loans, overdue interests and bank fees so that the Group will not be enforced to fulfil its guarantee obligation for the syndicated bank loan of the Shanghai Jinxin and will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the directors are of the opinion that the Group will have sufficient working capital for its present operating requirements for at least the next twelve months from the date of this circular. The Company has yet to enter into written agreements with relevant parties in respect of the aforementioned plans and measures to mitigate the liquidity pressure of the Group and will inform the Shareholders and investors of the Company in this regard if and when necessary.

Notwithstanding the above, material multiple uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will have sufficient working capital would depend upon the followings:

(i) successfully persuading the relevant lenders of Shanghai Jinxin's syndicated bank loan to suspend or cease the Enforcement of Settlement Judgement and grant further necessary extension for repayment of overdue amounts under the syndicated bank loan, and agreement by the other shareholder of the Shanghai Jinxin to provide funds that are necessary for the Shanghai Jinxin's repayment of the interests of the syndicated bank loan;

(ii) successful in obtaining support from relevant government bodies for the extension and restructuring of the Shanghai Jinxin's syndicated bank loan;

(iii) successful in agreement of an alternative financing plan for the Shanghai Jinxin by all relevant parties and in obtaining the fundings necessary for restructuring of the Shanghai Jinxin's syndicated bank loan and for future development of the project of the Shanghai Jinxin;

(iv) maintenance of a continuing and normal business relationship with the Group's existing lenders such that no action will be taken by the relevant lenders of the Group to exercise their contractual rights to demand immediate repayment of the relevant loans;

(v) successful in extension of certain short-term borrowings from ultimate holding company and its related parties;

(vi) successful in speed-up and timely collection of proceeds from sales and presales activities, successful and timely sale of the Group's investment in certain joint ventures, development project, and financial assets at a reasonable price, as well as timely collection of shareholder loan and receivables from a joint venture.

(vii) successful in obtaining the approval of the Shareholders of the Company on the Disposal Transaction so as to make the Disposal Agreement effective, in meeting all the conditions precedent to the completion of the Disposal Transaction on or before 30 June 2024, and in the release of the guarantee obligation by the Group and the pledge of the 51% equity interest in the Target Company under the syndicated bank loan agreement.

The Company has obtained a letter on the working capital statement from its auditor as required under Rule 14.66(12) of the Listing Rules. The auditor does not express an opinion on the working capital statement. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect as described above, it is not possible for the auditor to form an opinion on the working capital statement.

4. TRADING AND FINANCIAL PROSPECTS

In 2023, the real estate market in the PRC was still under the stage of adjustment at the bottom of the cycle while the policy imposed tended to be steady then loosened, and the supply and demand relationship in the industry experienced certain changes. In 2024, the total sales volume of the real estate is expected to decline on a continuous basis as the market is still under adjustment and there are uncertainties in the business environment. However, the central government is expected to continue strengthening supporting policies to realize stable and healthy development of the real estate industry as soon as practicable through the direction of financial support and downward adjustment of real estate transaction taxes. Based on the support from the government, real estate enterprises shall further regain the confidence of the property purchasers through implementing delivery as scheduled, maintain stable operation and adapt to the changes under new situation.

For the year 2024, the Group will continue to adhere to its stable operation of core business and strive to achieve revenue generation from new business. Firstly, in terms of cash flow guarantee, the Group has taken various measures such as accelerating the collection of sales proceeds from projects under construction and inventory, as well as maintaining stable cash flow by “sale-based production” based on guarantee on delivery; actively adapting to new changes and simultaneously deploying strategies on various cooperation channels to facilitate the revitalization of low-efficiency and inefficient property assets; promoted debt collection of key projects to accelerate the return of cash flows. Secondly, in terms of ensuring operational safety, the Group has steadily promoted various risk mitigation and made solid efforts in corporate operation based on the principle of “focusing on risks, ensuring corporate security, and achieving annual operational targets”. Thirdly, in terms of property development, the Group has developed reasonable operational plans and strengthened refined management and control as to ensure completion of delivery milestones as scheduled and carry out development and construction projects in an orderly manner. Fourthly, in terms of operation of commercial properties, the Group has continued to improve the operational capability of commercial properties and the level of management professionalism via comprehensive enhancement of overall revenue through “asset operation”, “asset revitalization”, “performance management” and “incentive systems”. Fifthly, in terms of generating new business revenue, the Group has leveraged the establishment of the property service management platform to expand property management rights and create profits for the new business. Sixthly, in terms of the corporate management, the Group has optimized its accountability system as and where appropriate to match the changes of the corporate business development, strictly controlled human resources and human costs, optimized its personnel structure, enhanced capabilities of talents, improved individual productivity, and enhanced overall professional competitiveness of the team.

In terms of financials, the Group will persist in exploring alternative financing and refinancing options to handle upcoming maturities and proactively preempt potential financial risks that may arise, formulating appropriate plans accordingly. Given the uncertain financial outlook, any available options will carry inherent risks, and it is highly likely that these options will come at a cost in the current market. However, risk management is of paramount importance to management in terms of fiduciary duty which requires the necessary planning and foresight to look ahead to address foreseeable risk. The Group will continue to stay vigilant to resolve near-term issues that arise and navigate through this period of volatility, in order to achieve a gradual improvement in financial performance going forward.

As disclosed in the section headed "Reasons for and Benefits of the Disposal" in the letter from the Board, the Disposal provides a favourable fund-raising opportunity for the Company. Following Closing, the Disposal will provide the Group with an available funding of approximately RMB3.374 billion, which will allow the Group to reduce a large amount of its indebtedness, enhance the 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 reduction of indebtedness can largely improve the gearing ratio of the Group and show a more stable balance sheet to its customers, suppliers, investors and other stakeholders.

5. MATERIAL ADVERSE CHANGE

As disclosed in the Company's announcement dated 28 April 2023, as Shanghai Jinxin has been in default of the Syndicated Loan, the Lenders commenced legal proceedings against Shanghai Jinxin and guarantors to the Syndicated Loan, and thereafter agreed to extend the repayment date of the Syndicated Loan and related sums to 30 June 2023.

As disclosed in the Company's announcement dated 30 June 2023, as at 30 June 2023, Shanghai Jinxin has not made any repayment to the Syndicated Loan, and as Shanghai Jinxin is in default of the Syndicated Loan and members of the Group (namely the Company and the Equity Interest Vendors) are guarantors to the Syndicated Loan, the Group also has payment obligations in respect of the Loan, and therefore it is possible that cross-defaults under other loan agreements entered into by the Group may be triggered.

As disclosed in the Company's announcement dated 23 August 2023, 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 Equity Interest Vendors were listed as enforcees of certain enforcement proceedings (the "**Potential Enforcement Action**"). According to public information on the aforesaid website: (1) the filing date of the Potential Enforcement Action is 7 August 2023; (2) the case number of the Potential Enforcement Action is "(2023)滬74執1509號"; (3) the enforcement court is the Shanghai Financial Court (the "**Court**"); and (4) the subject amount of the Potential Enforcement Action is RMB4,451,820,000. As at the date of this circular, the Group has not yet received any formal notice from the Court or the Lenders, therefore the Group has not acquired further information save as the public information above.

As disclosed in the Company's announcement dated 29 December 2023, the Company received a statement of civil claim (民事起訴狀) (the "**Statement of Claim**") on 22 December 2023 from the Court regarding the claims by the Lenders against the Company. According to the Statement of Claim, the Lenders made requests to the Court that the Company shall take the joint liability for the repayment to the Lenders of: (i) the Syndicated Loan in the principal amount of RMB4,451.82 million; (ii) the overdue interest calculated from 13 January 2023 to the actual repayment date; and (iii) the outstanding management fee and service fee of RMB145.05 million for the Syndicated Loan.

The Directors confirm that, except for the aforesaid events as disclosed in the announcements of the Company dated 28 April 2023, 30 June 2023, 23 August 2023 and 29 December 2023, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

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REPORT ON REVIEW OF HISTORICAL FINANCIAL INFORMATION OF SHANGHAI JINXIN PROPERTY CO., LTD.
(established in the PRC with limited liability)

To the Board of Directors of SRE Group Limited

Introduction

We were engaged to review the historical financial information set out on pages II-5 to II-12 which comprise the condensed statements of financial position of Shanghai Jinxin Property Co., Ltd. (the "**Target Company**") as of 31 December 2021, 2022 and 2023 and the related condensed statements of profit or loss and other comprehensive income, condensed statements of changes in equity and condensed statements of cash flows for each of the years ended 31 December 2021, 2022 and 2023 (the "**Track Record Period**") and certain explanatory notes (the "**Historical Financial Information**"). The Historical Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by SRE Group Limited (the "**Company**") in connection with the proposed disposal of 51% equity interest in the Target Company (the "**Disposal**") in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The directors of the Company (the "**Directors**") are responsible for the presentation and preparation of the Historical Financial Information of the Target Company in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rules. The Directors are also responsible for such internal control as management determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error. The Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibility is to express a conclusion on this Historical Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by HKICPA and with reference to Practice Note 750, Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal issued by HKICPA. A review of the historical financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the Historical Financial Information described in the "Basis for Disclaimer of Conclusion" section of our report, however, it is not possible for us to express a conclusion on the Historical Financial Information.

Basis for disclaimer of conclusion

Multiple Uncertainties Related to Going Concern

As described in Note 2 to the Historical Financial Information, as at 31 December 2023, the Target Company's current liabilities included defaulted bank borrowings of approximately RMB4,451.8 million and other borrowings of approximately RMB24.8 million, and became immediately repayable if requested by the lenders. As at 31 December 2023, however, the Target Company's cash and cash equivalents was approximately RMB157,000 only. The defaults of these bank borrowings were triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018; (2) the detention and arrest of two former executive directors of the Company by the relevant authorities in the People's Republic of China; and (3) the default of the Target Company's syndicated bank loan as guaranteed by the Company and its subsidiaries (the "**Group**"). In addition, the continuous default of the Target Company's syndicated bank loan has resulted in the relevant lenders having the right to demand, and the relevant lenders have demanded, the Group to fulfill its guarantee obligation to repay the loan, including an outstanding principal of RMB4,451.8 million and related interests and bank fees of RMB279.8 million as at 31 December 2022, and the relevant lenders will also have the right to apply for court's forcible execution, including but not limited to disposal of the Group's equity interest in the Target Company which were pledged as collateral for the guarantee. Subsequently, the relevant lenders applied for court to enforce their above rights during the year ended 31 December 2023.

These events or conditions, along with other matters as set forth in Note 2 to the condensed financial statements, indicate that material multiple uncertainties exist that may cast significant doubt on the Target Company's ability to continue as a going concern.

The directors of the Target Company have been formulating a number of plans and measures to mitigate the liquidity pressure arising from the Target Company's defaulted syndicated bank loan, and the Target Company's defaulted other borrowings, which are set out in Note 2 to the Historical Financial Information. The Historical Financial Information have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (i) successfully persuading the relevant lenders of the Target Company's syndicated bank loan to suspend or cease the court enforcement of their rights against the Target Company and grant further extension for repayment of overdue amounts under the syndicated bank loan, and agreement by the other shareholder of the Target Company to provide funds that are necessary for the Target Company's repayment of the interests of the syndicated bank loan; (ii) successful in obtaining support from the relevant government bodies for the extension and restructuring of the Target Company's syndicated bank loan; (iii) successful in agreement of an alternative financing plan for the Target Company by all relevant parties and in obtaining the fundings necessary for restructuring of the Target Company's syndicated bank loan and for future development of the project of the Target Company; (iv) successful negotiation for extension of defaulted other borrowings of approximately RMB24,800,000; and (v) successful in obtaining the land use right in relation to its land development expenditure incurred in the past, and being able to obtain sufficient funding to complete the entire property development project.

As a result of these multiple uncertainties, the potential interaction of these uncertainties, and the possible cumulative effect thereof, we were unable to form a conclusion as to whether the going concern basis of preparation is appropriate.

Should the Target Company be unable to achieve the intended effects resulting from the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Target Company's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these condensed financial statements.

Disclaimer of conclusion

Because of the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on these condensed financial statements described in the "Basis for Disclaimer of Conclusion" section of our report, we do not express a conclusion on the Historical Financial Information.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Cheung Wang Kei
Practising Certificate Number: P07788

Hong Kong
10 May 2024

CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three years ended 31 December 2023

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	11	2	–
Administrative expenses	(12,696)	(12,714)	(1,043)
Other expenses	(5,719)	(9,392)	(92,006)
Impairment loss of land development expenditure	–	–	(1,003,121)
Finance costs	(9)	(6)	(7)
Loss and total comprehensive expense for the year	(18,413)	(22,110)	(1,096,177)

CONDENSED STATEMENTS OF FINANCIAL POSITION
As at 31 December 2023

		As at 31 December		
		2021	**2022**	**2023**
	NOTE	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)
Non-current asset				
Property, plant and equipment		169	106	104
Current assets				
Land development expenditure	*4*	9,061,510	9,441,626	9,321,040
Prepaid value added tax		10,223	9,341	9,374
Bank balances and cash		189	165	157
		9,071,922	9,451,132	9,330,571
Current liabilities				
Trade payables		340	1,390	1,311
Other payables and accruals		247,028	316,737	440,406
Amounts due to related parties		1,190,103	1,520,601	2,372,625
Other borrowings		24,800	24,800	24,800
Bank borrowings		4,451,820	4,451,820	4,451,820
		5,914,091	6,315,348	7,290,962
Net current assets		3,157,831	3,135,784	2,039,609
Net assets		3,158,000	3,135,890	2,039,713
Capital and reserves				
Paid-up capital		2,660,000	2,660,000	2,660,000
Reserves		498,000	475,890	(620,287)
Total equity		3,158,000	3,135,890	2,039,713

CONDENSED STATEMENTS OF CHANGES IN EQUITY

For the three years ended 31 December 2023

	Paid-up capital *RMB'000* (Unaudited)	Contribution reserve *RMB'000* (Unaudited)	Accumulated losses *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
At 1 January 2021	2,660,000	–	(73,147)	2,586,853
Contribution from shareholders	–	589,560	–	589,560
Loss and total comprehensive expense for the year	–	–	(18,413)	(18,413)
At 31 December 2021	2,660,000	589,560	(91,560)	3,158,000
Loss and total comprehensive expense for the year	–	–	(22,110)	(22,110)
At 31 December 2022	2,660,000	589,560	(113,670)	3,135,890
Loss and total comprehensive expense for the year	–	–	(1,096,177)	(1,096,177)
At 31 December 2023	2,660,000	589,560	(1,209,847)	2,039,713

CONDENSED STATEMENTS OF CASH FLOWS
For the three years ended 31 December 2023

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital	(18,121)	(22,041)	(93,047)
Increase in land development expenditure	(828,759)	(60,750)	(1,744)
(Increase) decrease in prepaid value added tax	(94)	882	(33)
Increase (decrease) in trade payables	48	1,050	(79)
Increase in other payables and accruals	65,565	69,709	80,031
NET CASH USED IN OPERATING ACTIVITIES	(781,361)	(11,150)	(14,872)
FINANCING ACTIVITIES			
Interest paid	(153,470)	(183,638)	(166,921)
New bank borrowings raised	1,000,000	–	–
(Repayment to) advance from related companies	(65,791)	194,764	181,785
NET CASH FROM FINANCING ACTIVITIES	780,739	11,126	14,864
NET DECREASE IN CASH AND CASH EQUIVALENTS	(622)	(24)	(8)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	811	189	165
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	189	165	157

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shanghai Jinxin Property Co., Ltd (the "**Target Company**") is a limited liability company established in the PRC and is principally engaged in property development business in the PRC.

The Target Company is a joint venture of SRE Group Limited (the "**Company**") and its subsidiaries (the "**Group**"),which owns 51% of the Target Company's shares. The remaining 49% of the Target Company's shares are held by an independent third party namely Shanghai Zhongchong Binjiang Industrial Development Co., Ltd.* (上海中崇濱江實業發展有限公司).

On 8 April 2024, the Group entered into a disposal agreement to which the purchaser (the "**Purchaser**") conditionally agreed to acquire and the Group conditionally agreed to: (i) dispose of entire interest in the Target Company at a consideration of approximately RMB0.8 billion; and (ii) assign the rights to the Purchaser in relation to the debts as originally owed by the Target Company to the Group at a consideration of approximately RMB2.61 billion (the "**Disposal**"). The consideration for the Disposal was approximately RMB3.38 billion which is the sum of (i) and (ii) above after deducting the payment to Ningbo Zhongqing Trading Co., Ltd.* (寧波眾慶貿易有限公司) ("**Ningbo Zhongqing**") amounting to approximately RMB32.5 million (the "**Ningbo Zhongqing Payment**"). Ningbo Zhongqing is an independent third party to the Group, which the Ningbo Zhongqing Payment was resulted from the legal proceedings in relation to a loan dispute between the Ningbo Zhongqing and the Target Company (case number: [2023]滬0101民初21203號) in prior years.

The unaudited condensed financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Target Company.

2. BASIS OF PREPARATION

The Historical Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal in accordance with Rule 14.68(2)(a)(i) of the Listing Rules and in accordance with the relevant accounting policies adopted by the Company as set out in its annual report for the year ended 31 December 2022 ("**2022 Annual Report**") and its interim report for the six months ended 30 June 2023 ("**2023 Interim Report**"), which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), throughout the Track Record Period. The Historical Financial Information has been prepared under the historical cost convention.

The Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" nor a complete condensed interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and that it should be read in connection with the 2022 Annual Report and the 2023 Interim Report.

As at 31 December 2023, the Target Company's current liabilities included interest-bearing bank borrowings of approximately RMB4,451.8 million and other borrowings of approximately RMB24.8 million which were defaulted and became immediately repayable if requested by the lenders.

In view of the Target Company's bank balances and cash which was amounting to approximately RMB157,000 as at 31 December 2023, and the events and conditions as disclosed in note 2.1 under the section "Notes to the Consolidated Financial Statements" of the 2022 Annual Report, note 1.2 under the section "Notes to the Interim Condensed Consolidated Financial Statements" of the 2023 Interim Report, and note 3 under the section headed "Financial Information of the Group" in the circular indicate material multiple uncertainties exist. Whether the Target Company will be able to continue as a going concern would depend upon the following plans and measures:

(i) successfully persuading the relevant lenders of Target Company's syndicated bank loan to suspend or cease the enforcement of settlement judgement and grant further necessary extension for repayment of overdue amounts under the syndicated bank loan, and agreement by the other shareholder of the Target Company to provide funds that are necessary for the Target Company's repayment of the interests of the syndicated bank loan;

(ii) successful in obtaining support from relevant government bodies for the extension and restructuring of the Target Company's syndicated bank loan;

(iii) successful in agreement of an alternative financing plan for the Target Company by all relevant parties and in obtaining the fundings necessary for restructuring of the Target Company's syndicated bank loan and for future development of the project of the Target Company;

(iv) successful negotiation for extension of defaulted other borrowings of approximately RMB24,800,000; and

(v) successful in obtaining the land use right in relation to its land development expenditure incurred in the past, and being able to obtain sufficient funding to complete the entire property development project.

Should the Target Company be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Target Company's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these unaudited condensed financial statements.

3. AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Target Company has not early applied the following amendments to HKFRSs that have been issued but are not yet effective, in these condensed financial statements:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined

2 Effective for annual periods beginning on or after 1 January 2024

3 Effective for annual periods beginning on or after 1 January 2025

The directors of the Target Company anticipate that the application of the amendments to HKFRSs will have no material impact on the results and financial position of the Target Company.

4. LAND DEVELOPMENT EXPENDITURE

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Land development expenditure	9,061,510	9,441,626	9,321,040

In March 2014, the Company entered into agreements ("**Agreements**") with the People's Government of Shanghai Huangpu ("**Shanghai Huangpu Government**") relating to the joint development of the buildings located on 717-719 Daxing Street, Shanghai ("**Land Development Project**"). Under the Agreements, the Target Company is responsible for preparing overall plans and detailed designs of the buildings including the improvement for parcels of land and its ancillary facilities pursuant to the guidelines set by the Shanghai Huangpu Government as well as the construction of road nearby while the Shanghai Huangpu Government is required to complete the demolition and resettlement work on these parcels of land. The land development expenditure represents the cost incurred in respect of demolition and resettlement work.

The Land Development Project is expected to be recovered in more than twelve months after the end of each reporting period are classified under current assets as it is expected to be realised in the Target Company's normal operating cycle.

5. FINANCIAL INFORMATION OF THE TARGET COMPANY FOR THE SIX MONTHS ENDED 30 JUNE 2023

The below historical financial information of Target Company for the six months ended 30 June 2023 was prepared for the purpose of inclusion in the pro forma condensed consolidated statement of financial position, pro forma condensed consolidated statement of profit or loss and other comprehensive income and pro forma condensed consolidated statement of cash flows of the remaining group in accordance with paragraph 14.68(2)(a)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and therefore no comparative figures as required by HKFRSs issued by the HKICPA have been presented.

(a) Condensed Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Six months ended 30 June 2023 *RMB'000* (Unaudited)
Administrative and operating expenses	(469)
Other expenses	(44,719)
Impairment loss of land development expenditure	(195,008)
Finance costs	(5)
Loss and total comprehensive expense for the period	(240,201)

(b) Condensed Statement of Financial Position

As at 30 June 2023

	As at 30 June 2023 *RMB'000* (Unaudited)
Non-current asset	
Property, plant and equipment	105
Current assets	
Land development expenditure	9,455,902
Prepaid value added tax	9,398
Bank balances and cash	43
	9,465,343
Current liabilities	
Trade payables	1,373
Other payables and accruals	324,572
Amounts due to related companies	1,767,194
Other borrowings	24,800
Bank borrowings	4,451,820
	6,569,759
Net current assets	2,895,584
Net assets	2,895,689
Capital and reserves	
Paid-up capital	2,660,000
Reserves	235,689
Total equity	2,895,689

(c) Condensed Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June 2023 *RMB'000* (Unaudited)
OPERATING ACTIVITIES	
Operating cash flows before movements in working capital	(45,187)
Increase in land development expenditure	(1,744)
Increase in prepaid value added tax	(57)
Decrease in trade payables	(17)
Increase in other payables and accruals	33,749
NET CASH USED IN OPERATING ACTIVITIES	(13,256)
FINANCING ACTIVITIES	
Interest paid	(166,921)
Advance from related companies	180,055
NET CASH FROM FINANCING ACTIVITIES	13,134
NET DECREASE IN CASH AND CASH EQUIVALENTS	(122)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	165
CASH AND CASH EQUIVALENTS AT 30 JUNE 2023	43

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma condensed consolidated statement of financial position as at 30 June 2023, unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows for the six months ended 30 June 2023 of the Group excluding the Target Company (hereinafter referred as the "**Remaining Group**") (the "**Unaudited Pro Forma Financial Information**") which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal (as defined in this circular) as if the Disposal had been completed on 30 June 2023 for the unaudited pro forma condensed consolidated statement of financial position, and on 1 January 2023 for the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows.

The unaudited pro forma financial information has been prepared by the directors of the Company in accordance with paragraph 4.29 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for illustrative purposes only, based on their judgments and a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Remaining Group would have been if the Disposal has been completed on 30 June 2023 or at any future date, or the financial performance and cash flows of the Remaining Group for the six months ended 30 June 2023 or for any future period would have been if the Disposal had been completed on 1 January 2023.

The unaudited pro forma financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2023 and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

As at 30 June 2023

	The Group	Pro forma adjustment	The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Notes 2 and 6(a)*	
Non-current assets			
Property, plant and equipment	301,871	–	301,871
Investment properties	4,075,400	–	4,075,400
Right-of-use assets	248,027	–	248,027
Consideration receivable	–	770,000	770,000
Investments in associates	961,380	–	961,380
Investments in joint ventures	3,256,342	(1,476,801)	1,779,541
Deferred tax assets	16,662	–	16,662
Financial assets at fair value through other comprehensive income	39,955	–	39,955
	8,899,637	(706,801)	8,192,836
Current assets			
Prepaid land lease payments	698,524	–	698,524
Properties held or under development for sale	1,752,234	–	1,752,234
Inventories	1,929	–	1,929
Trade receivables	39,173	–	39,173
Consideration receivable	–	640,000	640,000
Other receivables	1,671,362	(786,409)	884,953
Prepayments and other current assets	37,249	–	37,249
Prepaid income tax	6,755	–	6,755
Other financial assets at amortised cost	1,360,413	(803,739)	556,674
Cash and cash equivalents	129,592	1,963,600	2,093,192
Restricted cash	19,290	–	19,290
Assets classified as held for sale	19,091	–	19,091
	5,735,612	1,013,452	6,749,064
Total assets	14,635,249	306,651	14,941,900

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP
As at 30 June 2023

	The Group	**Pro forma adjustment**	**The Remaining Group**
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Notes 2 and 6(a)*	
Current liabilities			
Interest-bearing bank and other borrowings	1,250,490	–	1,250,490
Lease liabilities	3,331	–	3,331
Contract liabilities	244,048	–	244,048
Trade payables	421,433	–	421,433
Other payables and accruals	2,487,398	–	2,487,398
Provision for losses due to the default of the JV's syndicated bank loan and execution of the financial guarantee contract	206,000	–	206,000
Current income tax liabilities	601,640	–	601,640
	5,214,340	–	5,214,340
Total assets less current liabilities	9,420,909	306,651	9,727,560
Non-current liabilities			
Interest-bearing bank and other borrowings	3,862,741	–	3,862,741
Lease liabilities	28,009	–	28,009
Deferred tax liabilities	1,351,352	–	1,351,352
Other non-current liabilities	275,298	–	275,298
	5,517,400	–	5,517,400
Net assets	3,903,509	306,651	4,210,160
Capital and reserves			
Issued share capital and share premium	6,747,788	–	6,747,788
Other reserves	258,413	–	258,413
Accumulated losses	(3,394,151)	306,651	(3,087,500)
Equity attributable to owners of the Company	3,612,050	306,651	3,918,701
Non-controlling interests	291,459	–	291,459
Total equity	3,903,509	306,651	4,210,160

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

For the six months ended 30 June 2023

	The Group	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3*	*Note 4*	*Note 5*	*Note 6(b)*	
Revenue	146,304	–	–	–	–	146,304
Cost of sales	(83,010)	–	–	–	–	(83,010)
Gross profit	63,294	–	–	–	–	63,294
Other income	38,511	–	–	(24,934)	–	13,577
Other (losses) gains, net	(197,234)	99,454	–	–	432,148	334,368
Selling and marketing expenses	(9,554)	–	–	–	–	(9,554)
Administrative expenses	(61,891)	–	–	–	–	(61,891)
Operating (loss) profit	(166,874)	99,454	–	(24,934)	432,148	339,794
Finance income	3,376	–	–	–	–	3,376
Finance costs	(213,199)	–	–	–	–	(213,199)
Finance costs, net	(209,823)	–	–	–	–	(209,823)
Share of results of associates	(535)	–	–	–	–	(535)
Share of results of joint ventures	(4,341)	–	242	–	–	(4,099)
(Loss) profit before income tax	(381,573)	99,454	242	(24,934)	432,148	125,337
Income tax expense	(14,031)	–	–	–	–	(14,031)
(Loss) profit for the period	(395,604)	99,454	242	(24,934)	432,148	111,306

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

For the six months ended 30 June 2023

	The Group	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3*	*Note 4*	*Note 5*	*Note 6(b)*	
Other comprehensive income, net of tax						
Items that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations	23,189	–	–	–	–	23,189
Total comprehensive (loss) income for the period	(372,415)	99,454	242	(24,934)	432,148	134,495

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

For the six months ended 30 June 2023

	The Group	Pro forma adjustment	The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 6(b)(i)*	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	50,163	–	50,163
Interest paid	(59,765)	–	(59,765)
Income tax paid	(23,576)	–	(23,576)
Income tax refunds received	5,685	–	5,685
Net cash used in operating activities	(27,493)	–	(27,493)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(4)	–	(4)
Proceeds from disposal of property, plant and equipment	2	–	2
Return of advances made to a joint venture	38,405	–	38,405
Advances to joint ventures	(736,332)	–	(736,332)
Dividends received from an associate	1,047	–	1,047
Proceeds from disposal of subsidiaries in previous year	3,000	–	3,000
Net proceeds from disposal of a joint venture	–	1,963,600	1,963,600
Proceeds received in relation to disposal of an associate	2,275	–	2,275
Advances received from an associate	6,548	–	6,548
Net cash (used in) from investing activities	(685,059)	1,963,600	1,278,541

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

For the six months ended 30 June 2023

	The Group	Pro forma adjustment	The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 6(b)(i)*	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	966,413	–	966,413
Repayments of borrowings	(208,487)	–	(208,487)
Increase in restricted deposits in relation to bank borrowings	(15,732)	–	(15,732)
Principal elements of lease payments	(925)	–	(925)
Net cash from financing activities	741,269	–	741,269
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,717	1,963,600	1,992,317
Cash and cash equivalents at beginning of period	100,699	–	100,699
Effect of foreign exchange rate changes, net	176	–	176
CASH AND CASH EQUIVALENTS AT END OF PERIOD	129,592	1,963,600	2,093,192

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Notes:

(1) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023, the unaudited condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for six months ended 30 June 2023 as set out in the interim report of the Group for the six months ended 30 June 2023.

(2) The adjustment represents the disposal of the investment in the Target Company as at 30 June 2023 assuming the Disposal was completed on 30 June 2023. The aforesaid amount represents the share of 51% of net assets of the Target Company as calculated with reference to the net asset value of the Target Company as at 30 June 2023 as extracted from the unaudited financial information of the Target Company as at 30 June 2023 as set forth in Appendix II to this circular.

(3) The adjustment represents the exclusion of the impairment loss on interest in the Target Company for the six months ended 30 June 2023 assuming the Disposal had taken place on 1 January 2023.

(4) The adjustment represents the exclusion of share of results of the Target Company for the six months ended 30 June 2023 assuming the Disposal had taken place on 1 January 2023.

(5) The adjustment represents the exclusion of the Group's interest income from the Target Company during the six months ended 30 June 2023 assuming the Disposal had taken place on 1 January 2023.

(6) Pro-forma gain on the Disposal:

(a) As if the Disposal was completed on 30 June 2023:

	RMB'000
Consideration (i)	3,377,500
Less:	
Estimated taxation and transaction cost (i)	(3,900)
Share of net assets of the Target Company as at 30 June 2023 (ii)	(1,476,801)
Assignment amount as defined in the Disposal Agreement (as defined in this circular) (iii)	(1,590,148)
Estimated gain on the Disposal	306,651

(b) As if the Disposal was completed on 1 January 2023:

	RMB'000
Consideration (i)	3,377,500
Less:	
Estimated taxation and transaction cost (i)	(3,900)
Share of net assets of the Target Company as at 1 January 2023 (ii)	(1,599,304)
Assignment amount as defined in the Disposal Agreement (as defined in this circular) (iii)	(1,342,148)
Estimated gain on the Disposal	432,148

Notes:

(i) The consideration for the Disposal, being RMB3.41 billion (subject to adjustment) less the Ningbo Zhongqing Payment (as defined in this circular) in the amount of RMB32.5 million as set out in the Disposal Agreement.

Pursuant to the Disposal Agreement, the consideration of approximately RMB2,000,000,000 shall be settled by cash at the date of completion of the Disposal ("**Completion Date**"). The net proceeds from the Disposal at the Completion Date which is amounting to approximately RMB1,963,600,000, which is after deducting the estimated amount of Ningbo Zhongqing Payment amounting to approximately RMB32,500,000 and the estimated taxation and transaction costs amounting to approximately RMB3,900,000. Assuming the Disposal was completed on 1 January 2023, the remaining unsettled consideration at the Completion Date amounting to approximately RMB1,410,000,000 is included in the consideration receivable as at 30 June 2023, in which consideration amounting to approximately RMB640,000,000 will be settled within 6 months after the Completion Date and the remaining consideration amounting to approximately RMB770,000,000 will be settled within 24 months after the Completion Date.

(ii) The share of net assets of the Target Company as at 30 June 2023 and 1 January 2023 represents the share of 51% of net assets of the Target Company as calculated with reference to the net asset value of the Target Company as at 30 June 2023 and 1 January 2023, respectively, as extracted from the unaudited financial information of the Target Company as at 30 June 2023 and 1 January 2023 as set forth in Appendix II to this circular.

(iii) The payable owed by the Target Company to the Group will be assigned to the Purchaser in accordance with the Disposal Agreement ("the **Assignment amount**"). The assignment amounts as at 1 January 2023 and 30 June 2023 are RMB1,342,148,000 and RMB1,590,148,000 as if the Disposal was completed on 1 January 2023 or 30 June 2023, respectively. In the opinion of the directors of the Company, the Assignment amount is subject to change upon the completion of the Disposal (the "**Completion**"), and any subsequent change in the Assignment amount will affect the final gain or loss for the Disposal upon the Completion.

(7) No adjustments have been made to any trading results or other transactions of the Group or the Remaining Group entered into subsequent to 30 June 2023.

(8) All the pro forma adjustments will not have a continuing effect of the Remaining Group in the subsequent reporting periods.

Set out below is the text of the independent reporting accountants' assurance report received from SHINEWING (HK) CPA Limited Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of inclusion in this circular.

SHINEWING (HK) CPA Limited
17/F., Chubb Tower, Windsor House
311 Gloucester Road, Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Board of Directors of SRE Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SRE Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") excluding Shanghai Jinxin Property Co., Ltd (the "**Target Company**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2023, the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2023, the unaudited pro forma condensed consolidated statement of cash flows for the six months ended 30 June 2023 and related notes as set out on pages III-1 to III-9 of the circular issued by the Company dated 10 May 2024 in connection with the proposed disposal of 51% of equity interest in the Target Company (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages III-1 to III-9 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the disposal of 51% equity interest in the Target Company, a joint venture of the Group (the "**Disposal**") on the Group's financial position as at 30 June 2023 and the Group's financial performance and cash flows for six months ended 30 June 2023 as if the Disposal had taken place at 30 June 2023 and 1 January 2023, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors of the Company from the Group's unaudited condensed financial statements for the six months ended 30 June 2023 as appropriate, on which a review conclusion or an auditor's report have not been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management ("**HKSQM**") 1, "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 30 June 2023 and 1 January 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Cheung Wang Kei
Practising Certificate Number: P07788

Hong Kong
10 May 2024

This appendix is to provide you with the information of the management discussion and analysis of the Remaining Group for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023. The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the consolidated financial statements of the Company for the reporting periods.

Upon completion of the Disposal, the Company will no longer hold any interest in Shanghai Jinxin, and Shanghai Jinxin will no longer remain as a joint venture the Group. For the purpose of this circular and for illustration purpose only, the management discussion and analysis of the Remaining Group below is made with the exclusion of Shanghai Jinxin.

The management discussion and analysis of the Remaining Group for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are set out below.

1. SEGMENTAL INFORMATION

Upon completion of the Disposal, the Remaining Group will continue to carry out its existing businesses and there will be no change to the principal business of the Remaining Group, being property development and property leasing, as well as commercial properties.

The Remaining Group monitored the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The operating segments were determined based on the Remaining Group's products and services. The performance of each segment was evaluated based on its operating profit or loss before income tax and the methodology used for its calculation was the same as that for the consolidated financial statements. However, the Remaining Group's financing (including finance costs and finance income), share of results of associates and joint ventures together with related impairment or losses, and income taxes were managed on a group basis and were not allocated to operating segments.

Intersegment sales and transfers were transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The reportable operating segments were as follows:

- The property development segment developed and sold residential and commercial properties;
- The property leasing segment leased offices and commercial properties owned by the Remaining Group which were classified as investment properties;

The other operations comprised, principally, the corporate activities that were not allocated to segments and miscellaneous insignificant operations including provision of property management services.

2. FOR THE YEAR ENDED 31 DECEMBER 2020

(a) Business Review

The Remaining Group was committed to supporting the environmental sustainability. Being an integrated real estate developer, the Remaining Group had complied with the relevant laws and regulations that have significant impact on the operations of the Remaining Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Remaining Group recognized that our employees, customers and business partners are the keys to our sustainable development. The Remaining Group was committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

In 2020, the Remaining Group's major projects available for sale were Shanghai Masters Mansions, Jiaxing Project, Shanghai Albany Oasis Garden, 75 Howard in the USA, Phnom Penh Romduol City and the Atelier. In 2020, the Remaining Group together with its joint ventures and associates had contracted sales amounting to approximately RMB1.208 billion, with a contractual gross floor area of approximately 29,049 m^2.

(b) Financial Review

Revenue and profit attributable to shareholders

In 2020, the Remaining Group recorded net revenue of approximately RMB289 million (2019: RMB614 million), which represents a decrease by approximately 53% compared to that of 2019. Loss attributable to owners of the Remaining Group in 2020 was approximately RMB968 million (2019: RMB1,761 million). Such loss was mainly attributable to the following: (1) the delivered area of properties sold by the Remaining Group decreased for the reporting year, resulting in a decrease in revenue and gross profit from property development; (2) the Remaining Group recorded unrealized revaluation losses on investment properties as a result of COVID-19 pandemic and the economic slowdown; and (3) the Remaining Group provided certain impairment losses for individual investments after a prudent evaluation on property investments in different market environments.

(c) Liquidity and Financial Resources

As at 31 December 2020, the Remaining Group's cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB382 million (2019: RMB522 million). Working capital (net current liabilities) of the Remaining Group as at 31 December 2020 amounted to approximately RMB439 million (2019: net current assets RMB752 million), and the current ratio was approximately 0.92x (2019: 1.16x).

As at 31 December 2020, the Remaining Group's total liabilities to total equity increased to 4.07x (2019: 2.70x). As at 31 December 2020, the Remaining Group's gearing ratio was approximately 64% (2019: 53%), calculated on the basis of the Remaining Group's net borrowings (after deducting cash and bank balances) over total capital (total equity and net borrowings).

(d) Interest-bearing Liabilities and Their Composition

As at 31 December 2020, the Remaining Group's interest-bearing liabilities amounted to RMB4,576 million. In respect of maturity, current liabilities and non-current liabilities accounted for 33% and 67% respectively. In respect of financing sources, bank borrowings, shareholder loans and other borrowings accounted for 31%, 66% and 3% respectively. In respect of types of interest rates, liabilities with fixed interest rates and liabilities with floating interest rates accounted for 76% and 24% respectively. In respect of currencies, RMB liabilities and foreign currencies liabilities accounted for 75% and 25% respectively.

(e) Charges on Assets and Contingent Liabilities

As at 31 December 2020, the Remaining Group's total bank and other borrowings of approximately RMB1,627 million (2019: RMB1,743 million) were secured by pledge of the Remaining Group's assets including leasehold land, investment properties, property, plant and equipment, properties held or under development on mortgage, or by pledge of equity interests in certain subsidiaries or bank deposits.

The Remaining Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Remaining Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Remaining Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulting purchasers to the banks. The Remaining Group was then entitled to take over the legal titles of the related properties. The Remaining Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Remaining Group entered into guarantee contracts of principal amounts totaling approximately RMB165 million and these contracts were still effective as at the close of business on 31 December 2020.

Meanwhile, the Remaining Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$178 million as at 31 December 2020 (2019: US$34.95 million). Relevantly, the Remaining Group provided a deposit of US$24.92 million as at 31 December 2020 (31 December 2019: US$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

(f) Risk of Fluctuations in Exchange Rates

The Remaining Group conducted a majority of its business operations in the PRC, with most of the revenue and expenses denominated in RMB. The Remaining Group had no foreign currency hedging policies, but monitored risks of fluctuations in exchange rates and would consider hedging significant risks of fluctuations in exchange rates when necessary.

(g) Employees

As at 31 December 2020, the Remaining Group had 407 (2019: 419) employees in Hong Kong and the People's Republic of China. Total staff costs of the Remaining Group, excluding directors' remuneration, for 2020 amounted to approximately RMB102 million (2019: RMB133 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

(h) Significant Investments

As at 31 December 2020, the Remaining Group held the following significant investments:

(1) Changsha Albany Oasis

In 2020, the site plan for the project was approved, and the main body of the sales office was built. Construction of the project was expected to commence in 2021. The pre-sale permit for the first batch of buildings was expected to be granted in the fourth quarter in 2021.

(2) 75 Howard in the USA

In 2020, the project achieved total contract sales of approximately RMB508 million for a total floor area of 2,775 m^2. The main structure of the project was topped out ahead of time in 2020. The drywall was completed. Interior decoration began. The project construction progressed smoothly. The project was available for sale in the USA in January 2020 and international marketing started at the same time. However, sales were affected by the pandemic to some extent.

(3) Shenyang Rich Gate

Shenyang Rich Gate Shopping Mall, relying on merchants specialising in children's education and supporting services, was devoted to deepening education and catering businesses. It aimed to become an alliance of education and catering. Due to the severe impact of the pandemic, the project saw a year-on-year decline in both revenue and profit in 2020. The number of merchants that withdrew from the shopping mall due to poor operation increased. After the pandemic stabilised, the project increased its support for merchants, and increased revenue and reduced expenditure, which achieved its profit target.

(4) Shanghai Oasis Central Ring Center

As a landmark of the Shanghai Central Ring business district, the project was designed as a complex eco-business cluster in the form of a circular commercial street connected with office buildings. The operation of the project resumed in an orderly manner in 2020 after the pandemic stabilised. Its revenue fell slightly from the previous year.

(5) Shanghai Lake Malaren North European Exotic Street

The project was positioned as a new landmark integrating sports, art, culture, specialty food and market in Northern Shanghai. It was upgraded and transformed. The newly-added supporting facilities included an around-the-lake lane and night lights. The transformation was finished in the first half of 2020, after which it entered a period of investment attraction. Its operations had improved and the sales per unit area had increased significantly.

(i) Future Plans for Material Investments or Capital Assets

The Remaining Group will keep a close watch on the development and transformation trend of the industry, continue to implement its strategic development plan, keep abreast of the current trend, seize future investment opportunities arising from economic recovery and make continuous effort to optimise its investment portfolio and minimize the operating cost, with an aim to improve the value and market competitiveness of the Remaining Group.

The Remaining Group will continue to optimise its capital structure and business portfolio in order to continuously improve its financial position. The Remaining Group will strive to capture investment opportunities prudently and optimise the capital structure and business portfolio in a bid to maximise shareholders' interest.

3. FOR THE YEAR ENDED 31 DECEMBER 2021

(a) Business Review

The Remaining Group was committed to supporting the environmental sustainability. Being an integrated real estate developer, the Remaining Group has complied with the relevant laws and regulations that have significant impact on the operations of the Remaining Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Remaining Group recognized that our employees, customers and business partners are the keys to our sustainable development. The Remaining Group was committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

In 2021, the Remaining Group's major projects available for sale were 75 Howard in the USA, the Changsha Albany Oasis Project, Shanghai Albany Oasis Garden, Shanghai Lake Malaren Mansions and the Jiaxing Project. In 2021, the Remaining Group had contracted sales amounting to approximately RMB736 million, with a total contractual gross floor area of approximately 22,520 m^2.

(b) Financial Review

Revenue and profit attributable to shareholders

In 2021, the Remaining Group recorded net revenue of approximately RMB780 million (2020: RMB289 million), which represents an increase by approximately 170% compared to that of 2020. Loss attributable to owners of the Remaining Group in 2021 was approximately RMB51 million (2020: RMB968 million), and the decrease of loss was mainly due to: (1) an increase in revenue and gross profit from real estate development as a result of the increase in delivered area of properties sold by the Remaining Group during 2021; (2) the absence of no significant impairment charge on real estate investments in 2021 following the Remaining Group's prudent assessment of real estate investments under various market environments, compared to larger impairment losses on individual investments in 2020.

(c) Liquidity and Financial Resources

As at 31 December 2021, the Remaining Group's cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB108 million (2020: RMB382 million). Working capital (net current liabilities) of the Remaining Group as at 31 December 2021 amounted to approximately RMB303 million (2020: RMB439 million), and the current ratio was approximately 0.93x (2020: 0.92x).

As at 31 December 2021, the Remaining Group's total liabilities to total equity increased to 4.89x (2020: 4.07x). As at 31 December 2021, the Remaining Group's gearing ratio was approximately 68% (2020: 64%), calculated on the basis of the Remaining Group's net borrowings (after deducting cash and bank balances) over total capital (total equity and net borrowings).

(d) Interest-bearing Liabilities and Their Composition

As at 31 December 2021, the Remaining Group's interest-bearing liabilities amounted to RMB4,241 million. In respect of maturity, current liabilities and non-current liabilities accounted for 21% and 79% respectively. In respect of financing sources, bank borrowings, shareholder loans and other borrowings accounted for 20%, 77% and 3% respectively. In respect of types of interest rates, liabilities with fixed interest rates and liabilities with floating interest rates accounted for 79% and 21% respectively. In respect of currencies, RMB liabilities and foreign currencies liabilities accounted for 74% and 26% respectively.

(e) Charges on Assets and Contingent Liabilities

As at 31 December 2021, the Remaining Group's total bank and other borrowings of approximately RMB1,525 million (2020: RMB1,627 million) were secured by pledge of the Remaining Group's assets including leasehold land, investment properties, property, plant and equipment, properties held or under development on mortgage, or by pledge of equity interests in certain subsidiaries or bank deposits.

The Remaining Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Remaining Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Remaining Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulting purchasers to the banks. The Remaining Group is then entitled to take over the legal titles of the related properties. The Remaining Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Remaining Group entered into guarantee contracts of principal amounts totaling approximately RMB148 million and these contracts were still effective as at the close of business on 31 December 2021.

Meanwhile, the Remaining Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$285 million as at 31 December 2021 (2020: US$178 million). Relevantly, the Remaining Group provided a deposit of US$13.35 million as at 31 December 2021 (31 December 2020: US$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

(f) Risk of Fluctuations in Exchange Rates

The Remaining Group conducted a majority of its business operations in the PRC, with most of the revenue and expenses denominated in RMB. The Remaining Group had no foreign currency hedging policies, but monitored risks of fluctuations in exchange rates and would consider hedging significant risks of fluctuations in exchange rates when necessary.

(g) Employees

As at 31 December 2021, the Remaining Group had 407 (2020: 407) employees in Hong Kong and the People's Republic of China. Total staff costs of the Remaining Group, excluding directors' remuneration, for 2021 amounted to approximately RMB110 million (2020: RMB102 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

(h) Significant Investments

As at 31 December 2021, the Remaining Group held the following significant investments:

(1) Changsha Albany Oasis

In 2021, the project achieved total contract sales of approximately RMB72 million for a total floor area of 7,905 m^2. Construction of the project commenced in 2021. The pre-sale permit for a batch of buildings was granted in September 2021, and the buildings were put up for sale at the sales office in October 2021. Some buildings in the first phase were topped out. The sales and construction work were progressing smoothly, and more buildings would be launched depending on market conditions.

(2) 75 Howard in the USA

In 2021, the project achieved total contract sales of approximately RMB457 million for a total floor area of 2,060 m^2. The interior decoration of the project was completed and a temporary residence permit was granted. The sales and delivery work proceeded simultaneously. In terms of project construction, the focus was placed on quality inspection. It is expected that the certificate of final completion will be obtained in the first half of 2022. In 2021, a breakthrough was made in local sales, but as the global pandemic has not yet stabilised, the project plans to simultaneously launch international marketing and promotion to boost sales.

(3) Shenyang Rich Gate

The COVID-19 pandemic and the adjustment of the education and training system in the PRC exerted a great influence on the project in the early stage. The project took the initiatives to remove problematic merchants from the project to improve the overall image. Currently, the project was being upgraded and a new round of commercial tenant invitation starts. The plan was to focus on the needs of the CBD. In terms of retail, it would introduce brands setting foot in business fashion and sports and leisure. As for catering, brands that served fast food and business meals would be introduced. Relevant supporting facilities for children would be arranged based on existing resources. The project's revenue and profit in 2021 were basically flat from the same period in 2020. It is planned to reopen in 2022, and the operation quality will be greatly improved.

(4) Shanghai Oasis Central Ring Center

As a landmark of the Shanghai Central Ring business district, the project was designed as a complex eco-business cluster in the form of a circular commercial street connected with office buildings. In 2021, the project operated in an orderly manner, with a slight rise in revenue and profit. It intended to improve the overall business operation quality through further transformation and upgrading.

(5) Shanghai Lake Malaren North European Exotic Street

The project successfully introduced brands such as One Step Garden, McDonald's, Starbucks, and Duzhe Bookstore in 2021 to create a new urban space around Lake Malaren, and carried out market activities to give play to brand effects. Revenue increased significantly compared with the corresponding period in 2020. Efforts would be stepped up on online promotion, offline activities and membership system to enhance operations. It would build the project into a "new landmark in Northern Shanghai that integrates sports, culture and art, specialty food and market".

(i) Future Plans for Material Investments or Capital Assets

The Remaining Group will keep a close watch on the development and transformation trend of the industry, continue to implement its strategic development plan, keep abreast of the current trend, seize future investment opportunities arising from economic recovery and make continuous effort to optimise its investment portfolio and minimize the operating cost, with an aim to improve the value and market competitiveness of the Remaining Group.

The Remaining Group will continue to optimise its capital structure and business portfolio in order to continuously improve its financial position. The Remaining Group will strive to capture investment opportunities prudently and optimise the capital structure and business portfolio in a bid to maximise shareholders' interest.

4. FOR THE YEAR ENDED 31 DECEMBER 2022

(a) Business Review

The Remaining Group was committed to supporting environmental sustainability. Being an integrated real estate developer, the Remaining Group has complied with the relevant laws and regulations that have significant impact on the operations of the Remaining Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Remaining Group recognized that our employees, customers and business partners are the keys to our sustainable development. The Remaining Group was committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

In 2022, the Remaining Group's major projects available for sale were 75 Howard in the USA, the Changsha Albany Oasis Project, Shanghai Albany Oasis Garden, Shanghai Lake Malaren Mansions and the Jiaxing Project. In 2022, the Remaining Group had contracted sales amounting to approximately RMB829 million, with a total contractual gross floor area of approximately 42,376 m^2.

(b) Financial Review

Revenue and profit attributable to shareholders

In 2022, the Remaining Group recorded net revenue of approximately RMB276 million (2021: RMB780 million), which represents a decrease by approximately 65% compared to that of 2021. Loss attributable to owners of the Remaining Group in 2022 was approximately RMB131 million (2021: RMB51 million), and the increase of loss was mainly due to a decrease in revenue and gross profit from real estate development as a result of the decrease in delivered area of properties sold by the Remaining Group during 2022.

(c) Liquidity and Financial Resources

As at 31 December 2022, the Remaining Group's cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB105 million (2021: RMB108 million). Working capital (net current liabilities) of the Remaining Group as at 31 December 2022 amounted to approximately RMB796 million (2021: RMB303 million), and the current ratio was approximately 0.84x (2021: 0.93x).

As at 31 December 2022, the Remaining Group's total liabilities to total equity increased to 5.57x (2021: 4.89x). As at 31 December 2022, the Remaining Group's gearing ratio was approximately 72% (2021: 68%), calculated on the basis of the Remaining Group's net borrowings (after deducting cash and bank balances) over total capital (total equity and net borrowings).

(d) Interest-bearing Liabilities and Their Composition

As at 31 December 2022, the Remaining Group's interest-bearing liabilities amounted to RMB4,453 million. In respect of maturity, current liabilities and non-current liabilities accounted for 25% and 75% respectively. In respect of financing sources, bank borrowings, shareholder loans and other borrowings accounted for 18%, 79% and 3% respectively. In respect of types of interest rates, liabilities with fixed interest rates and liabilities with floating interest rates accounted for 81% and 19% respectively. In respect of currencies, RMB liabilities and foreign currencies liabilities accounted for 73% and 27% respectively.

(e) Charges on Assets and Contingent Liabilities

As at 31 December 2022, the Remaining Group's total bank and other borrowings of approximately RMB1,465 million (2021: RMB1,525 million) were secured by pledge of the Remaining Group's assets including leasehold land, investment properties, property, plant and equipment, properties held or under development on mortgage, or by pledge of equity interests in certain subsidiaries or bank deposits.

The Remaining Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Remaining Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Remaining Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulting purchasers to the banks. The Remaining Group is then entitled to take over the legal titles of the related properties. The Remaining Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Remaining Group entered into guarantee contracts of principal amounts totaling approximately RMB98 million (2021: approximately RMB148 million) and these contracts were still effective as at the close of business on 31 December 2022.

Meanwhile, the Remaining Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$285.38 million as at 31 December 2022 (31 December 2021: US$285.38 million). The project of the joint venture was officially completed in 2022. As at 31 December 2022, there was no deposit (31 December 2021: US$13.35 million, equivalent to RMB85 million) provided as guarantor's letter of credit for the loan apart from the guarantee above. Subsequent to 31 December 2022, the joint venture has repaid the loans.

As at 31 December 2022, the Remaining Group provided a guarantee to a joint venture's bank borrowings of approximately RMB280 million (31 December 2021: Nil).

(f) Risk of Fluctuations in Exchange Rates

The Remaining Group conducted a majority of its business operations in the PRC, with most of the revenue and expenses denominated in RMB. The Remaining Group had no foreign currency hedging policies, but monitored risks of fluctuations in exchange rates and would consider hedging significant risks of fluctuations in exchange rates when necessary.

(g) Employees

As at 31 December 2022, the Remaining Group had 382 (2021: 407) employees in Hong Kong and the People's Republic of China. Total staff costs of the Remaining Group, excluding directors' remuneration, for 2022 amounted to approximately RMB127 million (2021: RMB110 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

(h) Significant Investments

As at 31 December 2022, the Remaining Group held the following significant investments:

(1) Changsha Albany Oasis

In 2022, the project achieved total contract sales of approximately RMB157 million for a total floor area of 16,989 m^2. The project actively pushed forward with sales and construction in 2022. The main body of some buildings entered an acceptance stage, and the project progressed at a reasonable pace. In light of sales, despite market changes caused by COVID-19, sales were boosted via determination of school brands and revamp of products. The project was intended to achieve the overall delivery of four buildings of the first batch in the first phase in the third quarter in 2023.

(2) 75 Howard in the USA

In 2022, the project achieved total contract sales of approximately RMB349 million for a total floor area of 1,983 m^2. The interior decoration of the project was completed, and the certificate of final completion was issued. The sales and delivery work proceeded simultaneously. Due to the continuous interest rate hikes by the Federal Reserve in the second half of 2022, sales lacked momentum in the local market. Taking into account the project situation, the Group discussed with its partners on adjustments of price and sales strategy to drive sales. Moving forward, the Group will continue to expand sales channels to promote sales and work out a solution of loan restructuring.

(3) Shenyang Rich Gate

As a large-scale commercial project in the center of CBD, the project served the middle and high-end consumers, such as white-collar workers, businessmen and middle class. In 2022, the performance was improved. A number of key brands set foothold in the shopping mall, and special photography and e-commerce bases were expanded and opened, lifting its image. Meanwhile, it targeted inactive merchants and those in arrears and solved specific problems to increase sales per unit area.

(4) Shanghai Oasis Central Ring Center

As a landmark of the Shanghai Central Ring business district, the project was designed as a complex eco-business cluster in the form of a circular commercial street connected with office buildings. In 2022, the project actively reduced the impact of the pandemic to ensure steady operation, and pushed forward with merchant adjustment, environmental renovation, property improvement and festival creation to achieve transformation and upgrade and further improve the quality of commercial operations.

(5) Shanghai Lake Malaren North European Exotic Street

The project in Nordic architectural style was divided into four functional areas: quality life, exquisite time, gourmet food, and space for pleasure. It integrated services such as "dining", "sports and leisure", "pet interaction", "lifestyle retail", and "humanistic community". In 2022, it actively introduced high-quality merchants, such as McDonald's, Papa John's and DQ, and sought to serve surrounding residents and weekend micro-vacation families, striving to create a lifestyle regarding microvacation, outdoor sports, and relaxation.

(i) Future Plans for Material Investments or Capital Assets

The Remaining Group will keep a close watch on the development and transformation trend of the industry, continue to implement its strategic development plan, keep abreast of the current trend, seize future investment opportunities arising from economic recovery and make continuous effort to optimise its investment portfolio and minimize the operating cost, with an aim to improve the value and market competitiveness of the Remaining Group.

The Remaining Group will continue to optimise its capital structure and business portfolio in order to continuously improve its financial position. The Remaining Group will strive to capture investment opportunities prudently and optimise the capital structure and business portfolio in a bid to maximise shareholders' interest.

5. FOR THE SIX MONTHS ENDED 30 JUNE 2023

(a) Business Review

The Remaining Group was committed to supporting environmental sustainability. Being an integrated real estate developer, the Remaining Group has complied with the relevant laws and regulations that have significant impact on the operations of the Remaining Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Remaining Group recognized that our employees, customers and business partners are the keys to our sustainable development. The Remaining Group was committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

In the first half of 2023, the Remaining Group's major projects available for sale were Changsha Albany Oasis, Shanghai Lake Malaren Mansions, Shanghai Huating Project, 75 Howard in the USA and Shanghai Albany Oasis Garden. During the first half of 2023, the Remaining Group had contracted sales amounting to approximately RMB311 million, with a total contractual gross floor area of approximately 23,889 m^2.

(b) Financial Review

Revenue and profit attributable to shareholders

During the six months ended 30 June 2023, the Remaining Group recorded a net revenue of approximately RMB146 million (six months ended 30 June 2022: RMB106 million), which represents an increase by approximately 38% compared with that of the corresponding period of last year. Loss attributable to owners of the Remaining Group for the six months ended 30 June 2023 amounted to approximately RMB232 million while loss attributable to owners of the Remaining Group for the corresponding period of last year was approximately RMB179 million. Such increase in loss was mainly attributable to (1) the rapid realization of certain properties which resulted in a decrease in gross profit margin, despite property sales, rentals and operational revenue showing improvement as compared to the previous year; and (2) an increase in interest-bearing liabilities leading to a year-on-year increase in interest expenses.

(c) Liquidity and Financial Resources

As at 30 June 2023, the Remaining Group's cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB149 million (31 December 2022: RMB105 million). Working capital (net current liabilities) of the Remaining Group as at 30 June 2023 amounted to approximately RMB1,233 million (31 December 2022: RMB796 million), and the current ratio was approximately 0.77x (31 December 2022: 0.84x).

As at 30 June 2023, the Remaining Group's total liabilities to total equity increased to 7.88x (31 December 2022: 5.57x). As at 30 June 2023, the Remaining Group's gearing ratio was approximately 79% (31 December 2022: 72%), calculated on the basis of the Remaining Group's net borrowings (after deducting cash and bank balances) over total capital (total equity and net borrowings).

(d) Interest-bearing Liabilities and Their Composition

As at 30 June 2023, the Remaining Group's interest-bearing liabilities amounted to RMB5,113 million. In respect of maturity, current liabilities and non-current liabilities accounted for 24% and 76% respectively. In respect of financing sources, bank borrowings, shareholder loans and other borrowings accounted for 15%, 70% and 15% respectively. In respect of types of interest rates, liabilities with fixed interest rates and liabilities with floating interest rates accounted for 85% and 15% respectively. In respect of currencies, RMB liabilities and foreign currencies liabilities accounted for 64% and 36% respectively.

(e) Charges on Assets and Contingent Liabilities

As at 30 June 2023, the Remaining Group's total bank and other borrowings of approximately RMB2,082 million (31 December 2022: RMB1,465 million) were secured by pledge of the Remaining Group's assets including leasehold land, investment properties, property, plant and equipment, properties held or under development on mortgage, or by pledge of equity interests in certain subsidiaries or bank deposits.

The Remaining Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Remaining Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Remaining Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulting purchasers to the banks. The Remaining Group is then entitled to take over the legal titles of the related properties. The Remaining Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Remaining Group entered into guarantee contracts of principal amounts totaling approximately RMB91 million (31 December 2022: approximately RMB98 million) and these contracts were still effective as at the close of business on 30 June 2023.

As at 30 June 2023, the Remaining Group provided a guarantee to a joint venture's bank borrowings of approximately RMB379 million (31 December 2022: approximately RMB280 million).

(f) Risk of Fluctuations in Exchange Rates

The Remaining Group conducted a majority of its business operations in the PRC, with most of the revenue and expenses denominated in RMB. The Remaining Group had no foreign currency hedging policies, but monitored risks of fluctuations in exchange rates and would consider hedging significant risks of fluctuations in exchange rates when necessary.

(g) Employees

As at 30 June 2023, the Remaining Group had 372 (31 December 2022: 382) employees in Hong Kong and the People's Republic of China. Total staff costs of the Remaining Group, excluding directors' remuneration, for the six months ended 30 June 2023 amounted to approximately RMB48 million (six months ended 30 June 2022: RMB47 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

(h) Significant Investments

As at 30 June 2023, the Remaining Group held the following significant investments:

(1) Changsha Albany Oasis

During the first half of 2023, the project achieved total contract sales of approximately RMB156 million for a total floor area of 16,450 m^2. The high voltage electrical, firefighting, and civil defense works for building 1 #, 2 #, 3 # and 6 # of the first batch of the first phase were basically completed, while the public areas and landscaping works reached 80% completion. The second batch, consisting of 7 # to 10 # of the first phase, progressed as schedule. By virtue of reputable local educational resources in Qingzhuhu Xiangyi Foreign Languages School upon entering into a contract to run a school, the project witnessed an enhanced level of sales. The project was intended to achieve the overall delivery of remaining buildings in the first phase by the end of 2024.

(2) 75 Howard in the USA

During the first half of 2023, the project achieved total contract sales of approximately RMB16 million for a total floor area of 150 m^2. The project has obtained the final completion certificate. Despite unfavorable conditions such as the continuous interest rate hikes by the Federal Reserve and stagnant sales, the project achieved a breakthrough in signing contracts in the second quarter, successfully completed the loan restructuring process and obtained external financing cashflow injection in June 2023, ensuring the operational security of the project. Moving forward, the Group will continue to expand sales channels to promote sales.

(3) Shenyang Rich Gate

The project relied on children's education and parent child themed service industry, while gradually introducing interactive business formats related to health and better lifestyles, which aimed to further enhance the competitiveness of commercial operation. By reorganizing the business layout and project strategic positioning, and strengthening merchandize control through introduction of main stores such as "Wanzhong Cinema" and "Magic Cube Town", the occupancy rate had shown a positive trend from April onwards, with a steady increase in signing and leasing rates in the first half of the year. In the future, the tenant sourcing team would focus on expanding brand resources to secure rental income throughout year.

(4) Shanghai Oasis Central Ring Center

As a landmark of the Shanghai Central Ring business district, the project was created by adopting the design of a complex eco-business cluster in the form of a circular commercial street connected with office buildings. The project focused on commercial brand upgrades by introducing chain brands such as Starbucks, KFC, and Domino's Pizza, further enhancing the vitality of commercial operation and improve the occupancy rate.

(5) Shanghai Lake Malaren North European Exotic Street

The project focused on creating an exotic town with a "micro-vacation sports and leisure" theme. Based on Nordic architectural styles, different functional areas were shaped. Integrating services such as dining, sports and leisure, retail and cultural communities had created an open-air leisure space. In the first half of 2023, the project had been attracting various high-quality merchants and continuously innovating marketing activities. This had led to a record-breaking increase in customer traffic, gradually establishing the project as a new landmark for consumption in Baoshan district.

(i) Future Plans for Material Investments or Capital Assets

The Remaining Group will keep a close watch on the development and transformation trend of the industry, continue to implement its strategic development plan, keep abreast of the current trend, seize future investment opportunities arising from economic recovery and make continuous effort to optimise its investment portfolio and minimize the operating cost, with an aim to improve the value and market competitiveness of the Remaining Group.

The Remaining Group will continue to optimise its capital structure and business portfolio in order to continuously improve its financial position. The Remaining Group will strive to capture investment opportunities prudently and optimise the capital structure and business portfolio in a bid to maximise shareholders' interest.

Our Ref: 24-13586-1

Colliers Appraisal & Advisory Services Co., Ltd.
Suite 507, Block A, Gemdale Plaza,
No. 91 Jianguo Road,
Chaoyang District, Beijing

9 May 2024

The Board of Directors
SRE Group Limited

Suite, 2806A, 28/F
Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

Dear Sir or Madam,

Re: Valuation of a parcel of land located east of Daxing Street, south of Zhonghua Road and Huangjiaque Road, west of Yingxun Road and north of Lujiabang Road, 717-719 Jiefang, Huangpu District, Shanghai, the People's Republic of China (the "Property")

INSTRUCTIONS

We refer to your instructions for us to assess the Market Value of the Property in which SRE Group Limited (the "**Company**") and its subsidiaries (hereafter together referred to as the "**Group**") have interests in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquires and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as at 29 February 2024 (the "**Valuation Date**") for the purpose of incorporating in the public document.

BASIS OF VALUATION

Our valuation is provided on the basis of Market Value, which we would define as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION STANDARDS

This valuation has been carried out in accordance with the latest edition of the Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), and the requirements met out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

QUALIFICATIONS OF THE VALUER

This valuation has been prepared by Zhirong He (Flora He) (RICS Registration No.:1259301), who is a Fellow of the Royal Institution of Chartered Surveyors. Flora is head of China Valuation Services team at Colliers. She is suitably qualified to carry out the valuation and has over 20 years' experience in the valuation of properties of this magnitude and nature in China.

Neither the valuer nor Colliers Appraisal & Advisory Services Co., Ltd. are aware of any pecuniary interest or conflict that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective, opinion of the value of the property interests.

VALUATION APPROACHES

We have valued the Property using the 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.

SOURCES OF INFORMATION

Although we have made independent enquires as much as possible, we have relied to a very considerable extent on the information provided by the Group in respect of the titles of the Property in the PRC. We also have accepted such information given to us as being true and correct for valuation purposes. This has included such matters as ownership title, site and floor areas, easements, the identification of the property interests and all other relevant matters.

We have also been advised by the Company that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation.

TITLE DOCUMENTS

We have been provided with copies or extracts of some title documents relating to the Property and have made relevant enquiries where possible. Due to the nature of the land registration system in the PRC, we have not examined the original documents to verify the existing titles to the property interests the PRC or any material encumbrances that might be attached to the property interests or any lease amendments. We have made assumptions that 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.

We have relied on the advice given by the Group's legal adviser, Beijing Dacheng Law Offices, LLP (Shanghai) (北京大成(上海)律師事務所) regarding the titles of the Property in the PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter and the valuation particulars are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the Property set out in this letter and the valuation particulars.

ASSUMPTIONS AND CAVEATS

Our valuations have been made on the assumption that 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.

No allowance has been made in our 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. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature that could affect its value.

We have conducted the valuation assuming that:

- the information about the Property provided by the Company is true and correct;
- the Property is free from contamination and the ground conditions are satisfactory;
- 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;
- the Property has been constructed, occupied and used in full compliance with, and without contravention of, all relevant laws, ordinances and statutory requirements;
- In valuing the Property held by the Company under development, we have valued the property on the basis that they will be developed and completed in accordance with the latest development proposals provided to us. We have further assumed that all consents, approvals and licenses from relevant government authorities for such development proposals have been or will be obtained without onerous conditions or delays; and

- We have assumed that, for any use (s) of the Property upon which this valuation report is based, any and all required licences, permits, certificates, and authorisations have been obtained, and are capable of renewal without difficulty.

SITE MEASUREMENT

We have not carried out on-site measurements to verify the correctness of the site areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are true and correct in all respects. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the Property exterior of the Property by Sandy Meng (Senior Associate Director), member of CIREA on 5 March 2024. In the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. We have assumed such are in good order for the purpose of valuation.

No structural surveys or environmental assessments have been made. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. We have assumed such are in good order for the purpose of valuation.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation particulars are attached hereto.

Yours faithfully,
For and on behalf of
Colliers Appraisal & Advisory Services Co., Ltd.

Zhirong He (Flora He)
Registered Valuer (RICS)
FRICS MCOMFIN
Executive Director, Valuation and Advisory Services, China

Note: Ms. Zhirong He holds a Master Degree of Commerce (Finance and Business Information System). She is a Registered Valuer with over 20 years' experience in real estate industry and assets valuation sector. Her experience on valuation covers Mainland China. Ms. He is a fellow member of the Royal Institution of Chartered Surveyors.

VALUATION PARTICULARS

PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 29 FEBRUARY 2024
A parcel of land located east of Daxing Street, south of Zhonghua Road and Huangjiaque Road, west of Yingxun Road and north of Lujiabang Road, 717-719 Jiefang, Huangpu District, Shanghai, PRC	The Property is a parcel of land with a site area of approximately 37,120.00 sq m, located east of Daxing Street (大興街), south of Zhonghua Road (中華路) and Huangjiaque Road (黃家闕路), west of Yingxun Road (迎勳路) and north of Lujiabang Road (陸家浜路), 717-719 Jiefang, Huangpu District. The locality is a mature residential and commercial area and well served by public facilities and convenient public transportation network.	At the date of our inspection, the Property was a parcel of land with a few buildings to be demolished.	RMB10,763,000,000 (100% interests attributable to Shanghai Jinxin Property Co., Ltd.: RMB10,763,000,000)

According to the development plan provided, the Property will comprise high-rise and multi-rise residential, retail and underground car park with a total proposed gross floor area (GFA) of 186,762.80 sq m and 1,203 car spaces.

Detailed proposed GFA of the Property is listed below:

Portions	**Proposed GFA** *(sq m)*
Aboveground	
Residential (High-rise)	98,126.00
Residential (Multi-rise)	11,390.00
Retail	9,296.80
Subtotal	118,812.80
Underground	
Car space	67,950.00
Subtotal	67,950.00
Total	**186,762.80**

Pursuant to the State-owned Land-use Rights Grant Contract provided, the land-use rights of the Property have been granted for a term of 70 years and 40 years for residential and retail uses, respectively.

Notes:

1) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to Shanghai Qinhai Property Co., Ltd. (上海琴海置業有限公司) (Now named Shanghai Jinxin Property Co., Ltd. (上海金心置業有限公司) (Shanghai Jinxin)) to proceed for requisition and allocation. Details are listed below:

Certificate Number	**Date of Issuance**	**Address**	**Site Area** *(sq m)*
Hu Gui Di (2003) 432 Hao	5 March 2003	East of Daxing Street, south of Zhonghua Road and Huangjiaque Road, west of Yingxun Road and north of Lujiabang Road, Huangpu District	37,130.00
Total			**37,130.00**

2) Pursuant to the State-owned Land-use Rights Grant Contract, the land-use rights of the Property have been granted to Shanghai Qinhai Property Co., Ltd. (上海琴海置業有限公司) (Now named Shanghai Jinxin Property Co., Ltd. (上海金心置業有限公司). Details are listed below:

Certificate Number	**Date of Issuance**	**Address**	**Land Use**	**Site Area** *(sq m)*
Hu Fang Di Huang (2004) Chu Rang He Tong Di 47 Hao	23 August 2004	East of Daxing Street, south of Zhonghua Road and Huangjiaque Road, west of Yingxun Road and north of Lujiabang Road, 717-719 Jiefang, Huangpu District	Residential, Retail	37,129.00
Total				**37,129.00**

3) According to Planning and Design Conditions dated on 6 July 2021 issued by Huangpu District Planning and Natural Resources Bureau and Shanghai Municipal Bureau of Planning and Natural Resources, the site area of the Property is approximately 3.71 hectare and the total proposed aboveground GFA of the Property will be approximately 120,400.00 sq m.

4) According to Partial Adjustment of Regulatory Detailed Planning dated on December 2021 issued by Huangpu District People's Government, Shanghai Municipal Bureau of Planning and Natural Resources and Shanghai Urban Planning and Design Institute Co., Ltd, the site area of the Property is approximately 37,120.00 sq m and the total proposed aboveground operating GFA of the Property will be no more than 118,812.80 sq m.

5) According to Urban and Rural Planning Management Documents of Shanghai Municipal People's Government (Hu Fu Gui Hua (2022) No.5 Hao) dated on 7 January 2022, the planning of the Property has been approved.

6) As advised upon the Valuation Date, the outstanding government collection of compensation is approximately RMB397,880,000, which has not been taken into account in our valuation.

7) The general description and market information of the Property are summarized below:

Location	The Property is located east of Daxing Street, south of Zhonghua Road and Huangjiaque Road, west of Yingxun Road and north of Lujiabang Road, 717-719 Jiefang, Huangpu District, Shanghai.
Transportation	It is a 7-minute walk from Lujiabang Road (陸家浜路) Station on Metro line 8 and 9. Shanghai Hongqiao International Airport (上海虹橋國際機場) is located approximately 23 km from the Property. Shanghai Railway Station (上海站) is about 7 km from the Property. Also, taxi and bus are readily available in the locality.
Nature of Surrounding Area	Laoximen (老西門) is a traditional commercial and residential area in Huangpu District, located at the center of the city area of Shanghai. Landmark development such as: Shanghai No.8 Middle School (上海第8中學), Shanghai No.10 Middle School (上海第10中學), Xintiandi Fashion Shopping Center (新天地時尚購物中心), Shanghai Red House Obstetrics and Gynecology Hospital (上海市紅房子婦產科醫院) are located in the vicinity.

8) We have been provided with a legal opinion on the Property prepared by the Company's PRC legal advisor, which contains, inter alia, the following information:

i. Shanghai Jinxin has got the land-use rights of the Property. After the completion of demolition implementation, Shanghai Jinxin can apply for the initial registration of land-use rights;

ii Shanghai Jinxin can transfer and/or mortgage the land use rights of the Property after obtaining written consent from Industrial and Commercial Bank of China Limited, Shanghai Bund Branch (representing the consortium) and complying with the conditions attached to the mortgages contract (if any);

iii. The following Site is subject to mortgages after the Group has got State-owned Land-use Rights Certificate. The transfer of the Site shall be subject to the prior consent from the mortgagee and the transferee shall be informed of such activity:

Contract No.	Date of Issuance	Creditors
17164000102201	20 October 2016	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)
		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)

9) In assessing the market value of the Property, we have made reference to land sale comparables of similar properties in the vicinity based on the criteria as follows: (i) within two years from the valuation date; (ii) located in the major urban districts of Shanghai, such as Xuhui District, Huangpu District, Changning District and Jing'an District and within 15kms' distance from the Property; (iii) no holding to lease requirement for the developer. Only three comparable properties listed below were identified under the above selection criteria. Comparable properties are located in the similar district with similar conditions, size, etc. In the course of our valuation, we have considered the relevant adjustment factors such as the plot ratio, development in vicinity, public facilities, accessibility, etc. to get the adjusted accommodation value ("**A.V**", the unit land price based on plot ratio permitted GFA) of each comparable. And then we adopted the average adjusted A.V of the three comparables to determine the A.V. of the Property, which is RMB90,590/psm. Details of three land sale comparables which meet the above conditions are listed below:

	Comparable 1	**Comparable 2**	**Comparable 3**
Location	Lot 167-02(n) Tianlin Street	Lot xh128D-06 Xietu Street	Lot 77-01, 17/1 Qiu, No.232 Jiefang, Xinjing Town
District	Xuhui District	Xuhui District	Changning District
Site Area (sq m)	8,911.80	21,942.70	23,047.80
Land Use	Residential	Residential	Residential
Plot Ratio	2.50	2.50	1.20
Permitted GFA (sq m)	22,279.50	54,856.75	27,657.36
Date of Transaction	2023/4/18	2022/6/1	2022/7/25
A.V (RMB/sq m)	85,505	86,285	99,887
Sources	Land and Resources Bureau	Land and Resources Bureau	Land and Resources Bureau
Adjustment Percentage	+5.42%	+4.39%	-8.34%
Adjustment A.V (RMB/sq m)	90,143	90,074	91,555

10) Pursuant to the Company Business License No.91310000744215258N, Shanghai Jinxin Property Co., Ltd. with the address of Room 405-1, No. 381 Nansuzhouhe Road, Huangpu District, Shanghai, has been in business in the term from 28 October 2002 to 27 October 2052 with the business scope of 在黃浦區大興街717-719地塊內進行房地產開發經營，自有房屋租賃，物業管理。 依法須經批准的項目，經相關部門批准後方可開展經營活動.

11) According to the information provided by the Group, an equity interest and debts transfer agreement dated 8 April 2024 between the Company, SRE Jiaye Real Estate Development (Shanghai) Company Limited (上置嘉業房地產發展(上海)有限公司), Shunlink Investment Limited (上聯投資有限公司), Gaken Investment Limited (嘉勤投資有限公司), Shanghai Oasis Garden Real Estate Company Limited (上海綠洲花園置業有限公司), Shangzhi Yijia Investment Management (Shanghai) Company Limited (上置毅家投資管理(上海)有限公司), Shanghai SRE Real Estate Development Co., Ltd (上海上置房地產發展有限公司)（the "**Vendors**"）and Zhongchong Investment Group Co., Ltd. (中崇投資集團有限公司) (the "**Purchaser**") disposal of 51% equity interest in Shanghai Jinxin and the Assignment of Rights under the Shanghai Jinxin Debts to the Purchaser.

12) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Construction Land Planning Permit	Yes
Land-use Rights Grant Contract	Yes
Business License	Yes

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Colliers Appraisal & Advisory Services Co., Ltd., an independent valuer, in connection with its valuation as at 29 Feb 2024 of the 100% equity interest of the Target Company held by the Group.

Colliers Appraisal & Advisory Services Co., Ltd.

Suite 507, Block A Gemdale Plaza
No. 91 lianguo Road, Chaoyang District
Beijing, China

Our Reference: 24-13602-2

9 May 2024

The Board of Directors
SRE Group Limited

Suite 2806A, 28/F
Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

Dear Sir/Madam,

1 INTRODUCTION

1.1 Terms of Engagement

In accordance with our terms of engagement with SRE Group Limited (the "**Company**" or the "**Client**"), Colliers Appraisal & Advisory Services Co., Ltd. ("**Colliers**" or "**we**") provide our opinion of the fair value of the 100% equity interest in (the "**Target Company**", or "**Shanghai Jinxin**") for the purpose of incorporating in the public document.

We confirm that we have made relevant enquiries and obtained such further information as deemed necessary to allow us to provide you with our opinion for the purpose of incorporating in the public document.

Our report is not the only reference for the Company to make sale decisions. We understand that the Company will conduct independent consideration and assessment before making any sale decision, and will not solely rely on our report, and the report issued by us will not replace other analysis and investigation work that should be carried out by the Client in reaching a commercial decision. Our report does not include specific purchase and sale recommendations.

1.2 Valuation Date

The date of valuation is 29 Feb 2024 (the "**Valuation Date**"), and this report can only be regarded as representing our opinion of the fair value of the Valuation Subject as at that date.

1.3 Valuation Subject

The valuation subject is the 100% equity interest in the Target Company (the "**Valuation Subject**").

The Target Company, established on 28 October 2002, is a real estate development and operation company principally engaged in the development and construction. At the Valuation Date, the Target Company holds a parcel of land located east of Daxing Street, south of Zhonghua Road and Huangjiaque Road, west of Yingxun Road and north of Lujiabang Road, 717-719 Jiefang, Huangpu District, Shanghai, PRC. The Target Company has no external equity investment. The Target Company has the situation of equity pledge and equity freeze.

The equity structure at the valuation date is as follows:

RMB

No	Name of Shareholder	Amount of Investment	Ratio
1	Shanghai Zhongchong Binjiang Industrial Development Co., Ltd (上海中崇濱江實業發展有限公司)	1,303,400,000	49.0000%
2	Shanghai Oasis Garden Real Estate Company Limited (上海綠洲花園置業有限公司)	500,000,000	18.7970%
3	Shunlink Investment Limited (上聯投資有限公司)	490,000,000	18.4211%
4	Gaken Investment Limited (嘉勤投資有限公司)	210,000,000	7.8947%
5	SRE Jiaye Real Estate Development (Shanghai) Company Limited (上置嘉業房地產發展(上海)有限公司)	156,600,000	5.8872%
	Total		100.00%

The equity pledge at the valuation date is as follows:

RMB

No	Registration Number	Name of Shareholder	The Amount of Equity Pledged	Pledgee
1	0120210017	SRE Jiaye Real Estate Development (Shanghai) Company Limited (上置嘉業房地產發展(上海)有限公司)	156,600,000	
2	0120210018	Shunlink Investment Limited (上聯投資有限公司)	490,000,000	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)
3	0120210019	Gaken Investment Limited (嘉勤投資有限公司)	210,000,000	
4	0120210020	Shanghai Oasis Garden Real Estate Company Limited (上海綠洲花園置業有限公司)	500,000,000	

The equity freeze at the valuation date is as follows:

RMB

No	Name of Shareholder	The Amount of Equity Freeze	Court of Execution	Document Number
1	Shanghai Oasis Garden Real Estate Company Limited (上海綠洲花園置業有限公司)	500,000,000		
2	Gaken Investment Limited (嘉勤投資有限公司)	210,000,000	Shanghai Financial Court (上海金融法院)	(2022) Hu 74 Zhi Bao Fa Di 309 Hao
3	SRE Jiaye Real Estate Development (Shanghai) Company Limited (上置嘉業房地產發展(上海)有限公司)	156,600,000		
4	Shunlink Investment Limited (上聯投資有限公司)	490,000,000		
5	Shanghai Zhongchong Binjiang Industrial Development Co., Ltd (上海中崇濱江實業發展有限公司)	212,800,000	Shanghai No. 2 Intermediate People's Court (上海市第二中級人民法院)	(2023) Hu 02 Cai Bao Fa Di 20 Hao

1.3.1 Property Description

The Property is a parcel of land with a site area of approximately 37,120.00 sq m., which located east of Daxing Street, south of Zhonghua Road and Huangjiaque Road, west of Yingxun Road and north of Lujiabang Road, 717-719 Jiefang, Huangpu District, Shanghai. As at the d Valuation Date, the Property was a parcel of land with a few buildings to be demolished.

According to the development plan provided, the Property will comprise high-rise and multi-rise residential, retail and underground car park with a total proposed gross floor area (GFA) of 186,762.80 sq m and 1,203 car spaces.

Detailed proposed GFA of the Property is listed below:

Portions	Proposed GFA *(sq m)*
Aboveground	
Residential (High-rise)	98,126.00
Residential (Multi-rise)	11,390.00
Retail	9,296.80
Subtotal	118,812.80
Underground	
Car space	67,950.00
Subtotal	67,950.00
Total	**186,762.80**

Pursuant to the State-owned Land-use Rights Grant Contract provided, the land-use rights of the Property have been granted for a term of 70 years and 40 years for residential and retail uses, respectively.

1.4 Currency

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

1.5 Basis of Valuation

Our valuation work is conducted based on international valuation standards. The basis of our valuation is fair value, which is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

1.6 Valuation Standards

The valuation has been carried out in accordance with the International Valuation Standards (2020 Edition) published by the International Valuation Standards Council.

1.7 Valuation Scope

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Client and/or the Target Company, and/or their representatives (the "**Management**").

In the course of our valuation, the following processes have been conducted to evaluate the information provided by the Management:

(a) Discussed with the Management and obtained relevant information in respect of the Target Company;

(b) Examined the relevant basis and assumptions of the information in respect of the Target Company provided by the Management;

(c) Conducted appropriate research to obtain sufficient market data and statistics and prepared the valuation based on generally accepted valuation procedures and practices; and

(d) Arrived at our valuation opinion based on the assumptions stated in this report and on information provided by the Management.

1.8 Inspections, Investigations, and Information Sources

We confirm that we have made enquiries and obtained such information that we consider necessary to undertake the valuation. The information has been obtained from various sources including the Management, information already in the public domain and our own databases. We have adopted the information without further verification. We have carried out a site inspection of the Property, and interviewed the Management on valuation purpose by Sandy Meng (Senior Associate Director) on 5 March 2024.

We have inspected the Property exterior of the Property upon the instruction received. No structural surveys or environmental assessments have been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. We have assumed such are in good order for the purpose of valuation.

In conducting our valuation of the Valuation Subject, we have considered, reviewed and relied upon the following key information which is available to the public or provided by the Management:

(a) Background of the Target Company and relevant corporate information;

(b) Business registration details of the Target Company provided by the Client;

(c) Unaudited financial statements of the Target Company as at the Valuation Date provided by the Management;

(d) Copies of the title documents of the Property;

(e) Proposed GFA breakdown and the development plan of the Property;

(f) Loan documents of the Target Company;

(g) Copy of the PRC Legal opinion; and

(h) Other data and information provided by the Management.

2 VALUATION ASSUMPTIONS AND RATIONALE

Our work covers discussions with management and collecting information on the Target Company's history, business and development prospects. We also considered industry trends and relevant laws. In order to conduct a detailed review and impartially and independently evaluate, we understand the main operating conditions of the Target Company. Our valuation is based on the contract and leases that has been entered into on or before the Valuation Date and cost budget provided by the Management, and we assume the opinions and statements provided by the entrusting party and its management as well as the information provided during the valuation process are reasonable and accurate. We are not required to audit the business information provided by the management, so we have no reason to doubt the accuracy of the information. However, if the information provided is not consistent with the facts, we reserve the right to modify our valuation.

For the purpose of determining the value of the Valuation Subject, we have considered all the prominent factors affecting the value and assumed, including but not limited to, the following:

- During the current and future existence of the Target Company, relevant laws and regulations, industry policies, fiscal and monetary policies, and economic environment will not undergo material changes;
- There will be no material changes in the relevant corporate tax rate, interest rate and exchange rate which would impact the valuation;
- The Target Company will continue to operate on a going-concern basis;
- The Target Company has all the necessary licenses for its operations, all other legal and administrative licenses have been obtained and can be extended when required;
- The Target Company has fully complied with the prevailing national and local authorities' policies, ordinances, listing rules, environment and other relevant laws and regulations. All transaction conducted by the Target Group in related to its assets and the ownership of its assets are in compliance with all relevant legal provisions and other laws or regulations of the relevant superior authority;

- Responsible ownership and competent management are assumed;
- The information provided by the Management is reliable and we will not verify the accuracy of this information, and assume no responsibility for its accuracy;
- The financial information from the financial statements provided by the Management is reliable and we will not verify the accuracy of the financial information, and assume no responsibility for its accuracy;
- Where third party expert or specialist information or reports are provided to us or obtained by us, the information is reliable and we will not verify the accuracy of these information or reports, and assume no responsibility for their accuracy; and
- The Management has provided us, to the best of its knowledge, with a full and frank disclosure of all information and other facts which may affect the service, including all secrecy clauses and side agreements.
- The are no contingent liabilities, unusual contractual obligations, or significant commitments as at the Valuation Date;
- As to the other assets and liabilities beyond inventory and construction in progress owned by Target Company, we assumed their respective book value approximates their fair value;
- The property is free from contamination and the ground conditions are satisfactory;
- 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;
- The Property has been constructed, occupied and used in full compliance with, and without contravention of, all relevant laws, ordinances and statutory requirements;
- In valuing the Property held by the Company under development, we have valued the property on the basis that they will be developed and completed in accordance with the latest development proposals provided to us. We have further assumed that all consents, approvals and licenses from relevant government authorities for such development proposals have been or will be obtained without onerous conditions or delays;
- We have assumed that, for any use (s) of the Property upon which this valuation report is based, any and all required licences, permits, certificates, and authorisations have been obtained, and are capable of renewal without difficulty; and
- The impact of equity pledge, equity seizure and other rights on the fair value of equity on the valuation date has not been taken into account in our valuation.

3 VALUATION APPROACH

According to the International Valuation Standards (2020), relevant and appropriate valuation approaches must take into account consideration in selecting the most appropriate valuation approach. There are three commonly used valuation methods, namely, the market approach, the income approach, and the asset-based approach.

Market Approach

Market approach derives the value of the valuation target by benchmarking the similar asset's prevalent market price, which is estimated based on Guideline Public Company Method and/or Comparable Transactions Method with additional adjustments if necessary.

(a) Guideline Public Company Method – The Guideline Public Company Method means obtaining the operating and financial information of comparable listed companies that are similar to those of the valuation target, calculating an appropriate value ratio, and accessing the fair value of the valuation target. Valuation indicators widely used in corporate valuation include price-earnings (P/E) ratio, price-to-book (P/B) ratio and price-to-sales (P/S) ratio.

(b) Guideline Transaction Method – Under the Guideline Transaction Method, the fair value is derived from the acquisition multiple which is based on what other purchasers in the market have paid for companies that are considered reasonably similar to the valuation target.

Although this approach is widely used in valuation practice, the shortfalls of the approach are, first, there might be insufficient comparable transactions or public companies to choose from; and second, the available comparable transactions and public companies might be significantly different from the valuation target in areas that might affect a company's valuation.

Income Approach

Income approach values an asset based on the income that it is expected to generate in the future. The most commonly applied method is the Discounted Cash Flow method which derives the value of the valuation target by discounting expected future cash flows with a discount rate that reflects both the time value of money and the riskiness of the business. Income approach is a commonly adopted approach in business valuation when the underlying asset or entity is producing predictable cash flows.

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.

Adopting Asset-based Approach for Valuation of Target Company

We have considered the three approaches and we concluded that asset-based approach is most appropriate in determining the valuation of the Target Company.

Market approach is not adopted because the Company is still in an early stage with growth potential but has no historical sales and profit as of the Valuation Date. As a result, market approach, which heavily relies on information from relatively mature listed comparable companies, is not adopted in the valuation of the Company.

Income approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of Target Company, and the assumptions might not be able to reflect the uncertainties in the future performance of Target Company. Given that improper assumptions will impose significant impact on the fair value, income approach is not adopted in this valuation.

The basic idea of the asset-based approach is to rebuild or replace the assets being evaluated according to the current conditions, and the price that potential investors are willing to pay when deciding to invest in an asset will not exceed the current purchase and construction cost of the asset. This evaluation project can meet the conditions required for asset-based evaluation, that is, the evaluated assets are in continuous use or presumed to be in continuous use, the target company mainly holds real estate projects, and has available historical operating information. The asset-based approach can meet the requirements of the value type in this assessment.

4 VALUATION PROCESS

Since the Target Company's substantive business is the operation of the Property and its major asset is the Property, we have adopted the asset-based approach to make appropriate adjustments to its balance sheet to reflect the equity value of the Target Company. From a valuation perspective, the valuer will restate the values of all types of assets of a business entity from book value (i.e. historical cost minus depreciation) to appropriate standards of value. After the restatement, the valuer can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", arrive at the value of the equity interests of the business entity.

As at the Valuation Date, the balance sheet and the fair value of the Target Company is as follows:

RMB, unless otherwise specified	Book Value	Fair Value Adjustment	Fair Value
Current Assets			
Bank balances and cash	187,780	–	187,780
Other receivables	10,000	–	10,000
Inventories	9,584,791,308	-331,206,054	9,253,585,254
Other current assets	8,100,994	–	8,100,994
Total Current Assets	9,593,090,082	-331,206,054	9,261,884,028
Non-Current Assets			
Equipment	101,376	853,660	955,036
Intangible assets	2,028	94,972	97,000
Total Non-Current Assets	103,404	948,632	1,052,036
Total Assets	**9,593,193,486**	**-330,257,422**	**9,262,936,064**
Current Liabilities			
Account payables	1,611,969	–	1,611,969
Other payables	3,077,607,068	–	3,077,607,068
Non-current liabilities due within one year	4,451,820,000	–	4,451,820,000
Total current liabilities	7,531,039,037	–	7,531,039,037
Non-Current Liabilities			
Deferred taxation liabilities	18,750,000	–	18,750,000
Total non-current liabilities	18,750,000	–	18,750,000
Total Liabilities	7,549,789,037	–	7,549,789,037
Total Equity	**2,043,404,449**	**-330,257,422**	**1,713,147,026**
Total Equity and non-current liabilities	9,593,193,486	-330,257,422	9,262,936,064

Note:

the sum of figures may not add up to total due to rounding.

As shown in the table above, there is Fair Value adjustment for the following item:

Inventories

In arriving at our opinion of values, we have adopted the Market Approach as appropriate.

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.

For the Property which is under development, we have valued the Property on the basis that it will be developed and completed in accordance with the latest development plan provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development plan have been obtained without onerous conditions or delays. We have taken into account the cost that will be expended to complete the development o reflect the quality of the completed project.

Using above valuation approach, had the Company obtained all relevant title Certificate(s) and approvals been granted to the Property and all land formation cost been fully settled, the market value of the Property as at the Valuation Date was RMB10,763,000,000.

More information of the Property, please refer to our valuation report on the Property.

Also, as advised by the client, as at the Valuation Date, the outstanding government collection of compensation is approximately RMB397,880,000. The land-value increment tax is approximately RMB882,469,611, the deed tax and the stamp duty are approximately RMB229,065,135, which have been taken into account in our valuation.

Equipment and Intangible Assets

Equipment includes vehicles and electronic equipments while intangible assets include software. Because the accounting depreciation life of the equipment and intangible assets is shorter than the economic service life used in the evaluation, the actual replacement rate is higher than the book replacement rate, resulting in the appreciation of the equipment and Intangible assets.

Other Assets and Liabilities

Other current assets include prepaid tax while other payables include amounts due to related parties and interest payable, the amount of which is based on relevant service agreements and loan agreements. Thus, the book value of other current assets and other payables was adopted as fair value as at the valuation date.

5 CONFIDENTIALITY AND DISCLAIMERS

The services provided by Colliers comply with professional assessment standards. Our compensation is not contingent upon our conclusions of value. Under the circumstances that we cannot conduct independent verification, we assume the data obtained is accurate. The files and materials obtained or workpapers produced during our work are our property rights. We will retain this data for at least six years.

The valuation is for the purpose indicated only. The report and valuation shall only be used in the form of full text. Without using the full text, no part of this report and valuation shall be used. The report and valuation results shall only be used for the above-mentioned purpose. Owning this report or any copy does not imply the right to copy. Without the prior written consent of our company to use part of the text and form, it is not allowed to use the full text or part of the report or mention the name of our company or publish the full text or part of the report in any file, notice or statement.

This report shall only be used for the specified purpose. Without the written consent of Colliers, any third party shall not use this report. This report may be provided in full text to the third party who needs to review the information therein. No one shall use this report as a substitute for the original due diligence process. Without the written consent of Colliers, it is not allowed to use the full text or part of the report or mention the name of Colliers or publish the full text or part of the report in any file, notice or statement.

The Company has agreed to indemnify us against any relevant losses, claims, lawsuits, damage, costs or obligations, including the attorney fees for this engagement with the Company as subject, in order to ensure that we have no relation with them, nor will it assume any liability for any of our omission. The scope of protection should include any related persons of Colliers, including directors, officers, employees, contractors, branches or agents. Should Colliers have to make compensation for any liability arising from this engagement, the amount of our compensation is only limited to three times of the service fees for this engagement. We reserve the right to include the client company in our client list, but we will maintain the confidentiality of all conversations, information obtained, and the contents of the reports. These conditions can only be modified by written documents agreed by both parties.

6 VALUATION CONCLUSION

The valuation has been conducted based on generally accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, which not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the entrusting party or Colliers.

In accordance with the purpose and scope of our engagement set out, the fair value of 100% equity interest in the Target Company, as at the Valuation Date is: RMB1,713,147,026.

We hereby certify that we have no prospective interests in the Company or the Valuation Subject.

Yours faithfully,
For and on behalf of
Colliers Appraisal & Advisory Services Co., Ltd.

Zhirong He (Flora He)
Registered Valuer (RICS)
FRICS MCOMFIN
Executive Director, Valuation and Advisory Services, China

Note:

Ms. Zhirong He holds a Master Degree of Commerce (Finance and Business Information System). She is a Registered Valuer with over 20 years' experience in real estate industry and assets valuation sector. Her experience on valuation covers Mainland China. Ms. He is a fellow member of the Royal Institution of Chartered Surveyors.

I. 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.

II. DISCLOSURE OF INTERESTS

(a) Directors' interests in Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and 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; or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Lu Jianhua	2,258,000	-	-	2,258,000	0.011%
Zhuo Fumin	-	160,000 *(Note 1)*	-	160,000	0.0008%

Note:

1. These Shares were held by Madam He Peipei, the spouse of Mr. Zhuo Fumin.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company, nor any of their close associates had any interests or short positions in the Shares, underlying Shares and 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; or (b) to be recorded in the register kept by the Company under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

(c) Interests in assets

As at the Latest Practicable Date, save for the transactions contemplated thereunder pursuant to two sales and purchase agreements dated 6 February 2024 both entered into between certain members of Group and CMI Financial Holding Corporation as disclosed in the Company's announcement dated 6 February 2024, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries.

(d) Interests in contract or arrangement

As at the Latest Practicable Date, save for the two sales and purchase agreements dated 6 February 2024 both entered into between certain members of Group and CMI Financial Holding Corporation as disclosed in the Company's announcement dated 6 February 2024, none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(e) Directors' interests in competing businesses

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

(f) Directors' Positions in the Substantial Shareholders

As at the Latest Practicable Date, China Minsheng Investment Corp., Ltd.* and China Minsheng Jiaye Investment Co., Ltd.* were companies with interests which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, (i) Mr. Qin Guohui, an executive Director, was the secretary of the board of directors and the vice president of China Minsheng Investment Corp., Ltd.*, and (ii) Mr. Lu Jianhua, a non-executive Director, was the chairman and 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.

III. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under the section 336 of the SFO:

Long position in Shares

Name of Shareholders	Capacity/ Nature of interest	*Notes*	Number of issued ordinary Shares (Sub-total)	Approximate percentage of shareholding (Sub-total)	Number of issued ordinary Shares (Total)	Approximate percentage of shareholding (Total)
China Minsheng Investment Corp., Ltd. *	Interest in controlled corporation	*i*			15,488,251,128	75.31%
China Minsheng Jiaye Investment Co., Ltd. *	Interest in controlled corporation	*i*			15,488,251,128	75.31%
Jiaxin Investment (Shanghai) Co., Ltd. *	Interest in controlled corporation	*iv*			15,488,251,128	75.31%
Jiasheng (Holding) Investment Limited	Interest in controlled corporation	*iv*			15,354,159,128	74.66%
Jiashun (Holding) Investment Limited	Beneficial owner	*iv*	12,500,000,000	60.78%	15,354,159,128	74.66%
	Interest in controlled corporation	*ii, iii, vi*	2,854,159,128	13.88%		
Zhi Tong Investment Limited Partnership	Beneficial owner	*i, ii, iii*			1,987,261,390	9.66%

Name of Shareholders	Capacity/ Nature of interest	*Notes*	Number of issued ordinary Shares (Sub-total)	Approximate percentage of shareholding (Sub-total)	Number of issued ordinary Shares (Total)	Approximate percentage of shareholding (Total)
Jia Yun Investment Limited	Person having a security interest in Shares	*vi*	866,897,738	4.22%	2,854,159,128	13.88%
	Interest in controlled corporation	*ii, iii*	1,987,261,390	9.66%		
Shi Jian	Beneficial owner		13,006,991	0.06%	2,867,166,119	13.94%
	Interest in controlled corporation	*v*	2,854,159,128	13.88%		
Si Xiaodong	Beneficial owner		2,324	0.00%	2,854,161,452	13.88%
	Interest in controlled corporation	*v*	2,854,159,128	13.88%		
SRE Investment Holding Limited	Beneficial owner	*vi*	866,897,738	4.22%	2,854,159,128	13.88%
	Interest in controlled corporation	*ii, iii*	1,987,261,390	9.66%		
Starite International Limited	Interest in controlled corporation	*ii, iii*			1,987,261,390	9.66%
Zuo Xin	Nominee for another person (other than a bare trustee)	*ii, iii*			1,987,261,390	9.66%
Jiabo Investment Limited	Interest in controlled corporation	*ii, iii, vi*			2,854,159,128	13.88%
Jiazhi Investment Limited	Interest in controlled corporation	*ii, iii*			1,987,261,390	9.66%

Notes:

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 (1,987,261,390 Shares), (c) Jia Yun Investment Limited (866,897,738 Shares) and (d) Jiayou (International) Investment Limited (134,092,000 Shares).

ii. Jia Yun Investment Limited is held by Jiabo Investment Limited, which is 100% directly owned by Jiashun (Holding) Investment Limited (which is in turn 100% indirectly owned by China Minsheng Jiaye 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 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 or deemed to be interested in 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, in turn, 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. The 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 in maintaining or restoring 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, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which were required to be recorded in the register kept by the Company under section 336 of the SFO.

IV. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given their opinions or advice which are contained in this circular:

Name	Qualification
SHINEWING (HK) CPA Limited	Certified Public Accountants
Colliers Appraisal & Advisory Services Co., Ltd.	Independent Valuer

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

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

As at the Latest Practicable Date, each of Certified Public Accountants and the Independent Valuer did not have any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

V. LITIGATION

As disclosed in the announcement of the Company dated 28 April 2023, as Shanghai Jinxin has been in default of the Syndicated Loan, the Lenders commenced legal proceedings against Shanghai Jinxin and guarantors to the Syndicated Loan, and therefore agreed to extend the repayment date of the Syndicated Loan and related sums to 30 June 2023.

As disclosed in the announcement of the Company dated 23 August 2023, 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 PRC, Shanghai Jinxin and the Equity Interest Vendors were listed as enforcees of the Potential Enforcement Action. According to public information on the aforesaid website: (1) the filing date of the Potential Enforcement Action is 7 August 2023; (2) the case number of the Potential Enforcement Action is "(2023)滬74執1509號"; (3) the enforcement court is the Shanghai Financial Court; and (4) the subject amount of the Potential Enforcement Action is RMB4,451,820,000. As at the date of this circular, the Group has not yet received any formal notice from the Court or the Lenders, therefore the Group has not acquired further information save as the public information above.

As disclosed in the announcement of the Company dated 29 December 2023, the Company received the Statement of Claim on 22 December 2023 from the Court regarding the claims by the Lenders of the Syndicated Loan against the Company. According to the Statement of the Claim, the Lenders made requests to the Court that the Company shall take the joint liability for the repayment to the Lenders of : (i) the Syndicated Loan in the principal amount of RMB4,451.82 million; (ii) the overdue interest calculated from 13 January 2023 to the actual repayment date; and (iii) the outstanding management fee and service fee of RMB145.05 million for the Syndicated Loan.

As at the Latest Practicable Date, except for the aforesaid the litigation or potential action mentioned in the announcements of the Company dated 28 April 2023, 23 August 2023 and 29 December 2023, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

VI. 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) the Disposal Agreement;

(b) the sale and purchase agreement dated 6 February 2024 and entered into between Sinopower Investment Limited (a company incorporated with limited liability under the laws of the British Virgin Islands and a direct wholly-owned subsidiary of the Company), CMI Financial Holding Corporation (a company incorporated with limited liability under the laws of the British Virgin Islands, an indirect wholly-owned subsidiary of China Minsheng Investment Corp., Ltd.* (中國民生投資股份有限公司), a controlling Shareholder and ultimate holding company of the Group), SREUS NAPA LLC (a private company incorporated with limited liability under the laws of the State of Delaware, the United States of America, a direct wholly-owned subsidiary of Bowin and an indirect wholly-owned subsidiary of the Seller and the Company) and the Company, pursuant to which, (i) Sinopower Investment Limited has agreed to sell and CMI Financial Holding Corporation has agreed to purchase 100% equity interest of Bowin International Limited (寶威國際有限公司*); and (ii) the Sinopower Investment Limited has agreed to assign, and CMI Financial Holding Corporation has agreed to acquire a shareholder loan together with all rights, title, interest and benefits attached thereto and/or arising therefrom and free from all claims and encumbrances;

(c) the sale and purchase agreement dated 6 February 2024 and entered into between the Sinopower Investment Limited, CMI Financial Holding Corporation and the Company, pursuant to which Sinopower Investment Limited has agreed to sell and CMI Financial Holding Corporation has agreed to purchase 7.66% equity interest of Cheswing Limited (卓榮有限公司);

(d) the maximum guarantee agreement entered into between SRE Industrial (Shanghai) Co., Ltd.* (上置實業(上海)有限公司) (an indirect wholly-owned subsidiary of the Company) and Hunan Sanxiang Bank Co., Ltd.* dated 29 September 2022; and

(e) the maximum equity pledge agreement entered into between Ningbo Meishan Bonded Port Area Jiazhi Investment Co., Ltd.* (寧波梅山保税港區嘉置投資有限責任公司) (an indirect wholly-owned subsidiary of the Company), and Hunan Sanxiang Bank Co., Ltd.* dated 29 September 2022.

VII. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Chu Hoe Tin, an associate of the Hong Kong Chartered Governance Institute and a fellow member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is at Suite 2806A, 28/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

(c) The Company's principal share registrar and transfer agent is MUFG Fund Services (Bermuda) Limited, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

VIII. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the website of the Stock Exchange (http://www.hkexnews.hk) and on the website of the Company (http://www.sre.com.cn) for a period of 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the Disposal Agreement;

(c) the report on review of the unaudited historical financial information of Shanghai Jinxin issue by Certified Public Accountants, the text of which is set out in Appendix II to this circular;

(d) the report on the compilation of the unaudited pro forma financial information of the Remaining Group issued by Certified Public Accountants, the text of which is set out in Appendix III to this circular;

(e) the valuation report of the property interest held by Shanghai Jinxin prepared by the Independent Valuer, the text of which is set out in Appendix V to this circular;

(f) the valuation report of the equity interest in Shanghai Jinxin prepared by the Independent Valuer, the text of which is set out in Appendix VI to this circular;

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

(h) this circular.

* *For identification purpose only*

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the a special general meeting ("**SGM**") of SRE Group Limited (the "**Company**") will be held at 3rd Floor, Building 5, Oasis Central Ring Center, Lane 1628, Jinshajiang Road, Putuo District, Shanghai, China on Wednesday, 29 May 2024 at 10:00 a.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

"**THAT**

(a) the Disposal Agreement and the transactions terms of the contemplated thereunder, be and are hereby approved, confirmed and ratified; and

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

By Order of the Board
SRE GROUP LIMITED
Qin Guohui
Chairman

Hong Kong, 10 May 2024

Notes:

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

2. In order to be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

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

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

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

As at the date hereof, 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*