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SRE GROUP LTD.

SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 80% BENEFICIAL OWNERSHIP INTEREST
IN PROPERTY IN SAN FRANCISCO, CALIFORNIA**

THE SALE AND PURCHASE AGREEMENT

On 17 February 2017, the Buyer (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Seller, whereby the Buyer agreed to purchase and the Seller agreed to sell 80% beneficial ownership interest in the Property at a cash consideration of USD88,000,000 (for illustration purpose only, equivalent to approximately HK\$682,880,000 using the exchange rate of USD1:HK\$7.76).

The Property is a parcel of land with a site area of approximately 1,860 square meters situated at 75 Howard Street in the City and County of San Francisco, State of California, the United States of America, upon which is currently located an eight-story parking garage. On 3 September 2015, the San Francisco Planning Commission had approved a mixed-use residential, retail and parking project to be developed at the Property.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition is/are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 17 February 2017, the Buyer (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Seller, whereby the Buyer agreed

to purchase and the Seller agreed to sell 80% beneficial ownership interest in the Property at a cash consideration of USD88,000,000 (for illustration purpose only, equivalent to approximately HK\$682,880,000 using the exchange rate of USD1:HK\$7.76).

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date

17 February 2017 (after trading hours)

Parties

The Buyer: SREUS SF LLC, a wholly-owned subsidiary of the Company

The Seller: RDF 75 Howard LP, a Delaware limited partnership

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter

The Property is a parcel of land with a site area of approximately 1,860 square meters situated at 75 Howard Street in the City and County of San Francisco, State of California, the United States of America, upon which is currently located an eight-story parking garage. On 3 September 2015, the San Francisco Planning Commission had approved a mixed-use residential, retail and parking project (the **Project**) to be developed at the Property, the construction of which has not yet commenced.

Pursuant to the Sale and Purchase Agreement, the Buyer agreed to purchase, and the Seller agreed to sell, 80% of the beneficial ownership interest in the Property. According to the Sale and Purchase Agreement, the Acquisition shall be effected in the following manner:

- (i) on or prior to Completion, the Seller shall newly form or cause to be formed a Delaware limited partnership known as 75 Howard Investor LP (the **Partnership**), of which two other Delaware limited partnerships, also to be newly formed by the Seller, shall be the sole partners (the **Seller Partners**);
- (ii) the Partnership shall in turn, on or prior to Completion, newly form or cause to be formed a Delaware limited partnership known as 75 Howard Owner LP (the **New Property Owner**); and
- (iii) upon Completion, the Seller shall convey the Property to the New Property Owner for no consideration, and immediately thereafter, the Buyer shall be admitted to the Partnership as a limited partner with 80% equity interest such that the Seller, through the Seller Partners, shall

retain 20% equity interest in the Partnership and indirectly, the Property.

Consideration

The Consideration payable by the Buyer to the Seller for the Acquisition amounts to USD88,000,000 (for illustration purpose only, equivalent to approximately HK\$682,880,000 using the exchange rate of USD1:HK\$7.76), which shall be settled by the Buyer in the following manner:

- (i) prior to the date of the Sale and Purchase Agreement, USD11,000,000 has been deposited by the Company on behalf of the Buyer into an escrow account (the **Escrow Account**) designated by an escrow agent jointly appointed by the Company and the Seller (the **Escrow Agent**) as, together with interest thereon, deposit (the **Deposit**), which shall be non-refundable except in certain limited events set forth in the Sale and Purchase Agreement; and
- (ii) on the Completion Date, the balance of the Consideration shall be paid by the Buyer into the Escrow Account and upon Completion, the Escrow Agent shall release the entire amount of the Consideration to the Seller.

The Consideration was determined after arm's length negotiation between the Buyer and the Seller, with reference to, *inter alia*, the location, condition and enhanced value of the Property after the approved redevelopment, and market values of comparable properties in the vicinity of the Property. The Company has also engaged an independent property valuer to evaluate the market value of the Property, which was approximately USD110,000,000 as at 4 January 2017.

The Board is of the view that the Consideration and the terms of the Sale and Purchase Agreement, which have been reached after arm's length negotiation between the parties, are fair and reasonable, and the Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Completion

Pursuant to the Sale and Purchase Agreement, the Completion shall take place on 31 March 2017. Upon Completion, the Partnership will be beneficially owned by the Company as to 80% and be accounted for as a subsidiary of the Company.

Termination

If the Sale and Purchase Agreement is terminated by the Seller prior to the Completion because of a material default by the Buyer under the Sale and Purchase Agreement, the Seller's sole remedy shall be to receive as liquidated damages the entire Deposit held at such time by the Escrow Agent.

On the other hand, in the event that, on or before the Completion, the Seller has defaulted on its obligations under the Sale and Purchase Agreement in any material respect, the Buyer shall be entitled to either (i) treat the Sale and Purchase Agreement as being in full force and effect and pursue only the

remedy of specific performance against the Seller or (ii) terminate the Sale and Purchase Agreement and receive a return of the Deposit.

Partnership agreement

Upon Completion, the Seller Partners and the Buyer shall enter into a partnership agreement (the **Partnership Agreement**) for the regulation of affairs in respect of the Partnership, pursuant to which:

- (i) capital contributions: as of the date of the Partnership Agreement, the Seller Partners and the Buyer shall be deemed to have contributed cash or property to the Partnership in proportion to their respective equity interest in the Partnership in an aggregate amount equal to: (a) with respect to the Buyer, USD88,000,000; and (b) with respect to the Seller Partners collectively, USD22,000,000; and
- (ii) management: the conduct and control of the business and affairs of the Partnership shall be vested exclusively in one of the Seller Partners as a general partner to the Partnership, except that (a) the Buyer shall have the right to have up to three of its officers or agents participate in the day-to-day development (including participation in the design, vendor procurement, cost control, marketing and preparation of financial statements) of the Project; and (b) prior written consent of the Buyer is required for certain major decisions in relation to the Partnership, including, *inter alia*, (A) a sale of the Property or any portion thereof (but excluding the sales of any individual residential condominium units as part of the Project for residential occupancy by the relevant buyer(s)); (B) material changes to the plans for the Project as approved by the San Francisco Planning Commission; (C) approval of and amendments to budget and business plan for the Partnership; and (D) acquisition of any addition real property.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Property represents an excellent opportunity for the Company to acquire a majority beneficial ownership interest in a real property which will be developed into a luxury high-rise waterfront building facing the Embarcadero in San Francisco, California. The Board considers that the Acquisition provides a valuable business opportunity for the Group to expand its property portfolio by the addition of overseas property and is in line with the Company's strategy to strengthen its overseas investment and asset outreach.

Having regard to the reasons for and benefits of the Acquisition, the Board is of the view that the terms of the Sale and Purchase Agreement, which have been reached after arm's length negotiation between the parties, are fair and reasonable, on normal commercial terms and in line with the overall investment strategy of the Group, and therefore in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND THE BUYER

The Group is an integrated real estate developer focusing on high-quality development projects and 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. While the Group is mainly focusing on high-quality property development, it is also seeking to explore new opportunities in urban development and renewal, medical and senior properties and cultural tourism and innovative technology properties. The Group will also expand its investment businesses, accelerate the investment-withdrawal and gain-capturing process by adopting the “financing, investment, management and withdrawal” approach and operate in a “light and heavy assets in parallel” model. The Group is also putting the strategy of internationalization into practice by seeking high-quality assets overseas, and will prudently attempt limited diversification, including the cultivation of real estate-related internet, funds and finance businesses, striving to become a fully integrated trans-sector real estate and finance group.

The Buyer is SREUS SF LLC, a Delaware limited liability company, and is principally engaged in equity investment.

INFORMATION OF THE SELLER

The Seller is a Delaware limited partnership. Its principal business activity is the entitlement and development of the Property.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition is/are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.

To the best of the Board’s knowledge, information and belief having made all reasonable enquiries, no Director has a material interest in the Sale and Purchase Agreement or the Partnership Agreement, and no Director has abstained from voting on the board resolutions approving the Sale and Purchase Agreement.

DEFINITIONS

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

“Acquisition”	the acquisition of 80% beneficial ownership interest in the Property by the Buyer from the Seller pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Buyer”	SREUS SF LLC, a Delaware limited liability company
“Company”	SRE Group Limited, a company incorporated in Bermuda with

	limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement
“Completion Date”	the date on which the Completion will take place
“Consideration”	USD88,000,000 (for illustration purpose only, equivalent to approximately HK\$682,880,000 using the exchange rate of USD1:HK\$7.76) in respect of the Acquisition payable by the Buyer pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	the land and building located at 75 Howard Street in the City and County of San Francisco, State of California, the United States of America, together with the entitlements to develop a mixed-use residential, retail and parking project thereat as approved by the San Francisco Planning Commission
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 February 2017 and entered into between the Buyer and the Seller in relation to the Acquisition
“Seller”	RDF 75 Howard LP, a Delaware limited partnership
“Shareholders”	registered holders of the Shares from time to time
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“USD” United States dollars, the lawful currency of the United States of America

“%” per cent

By Order of the Board

SRE Group Limited

He Binwu

Chairman

Hong Kong, 20 February 2017

As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. He Binwu, Mr. Peng Xinkuang, Mr. Chen Donghui, Mr. Chen Chao, Mr. Shi Janson Bing, Mr. Zhu Qiang, and Ms. Qin Wenying; and four independent non-executive Directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Ma Lishan and Mr. Han Gensheng.

**For identification purpose only*