

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SRE GROUP LIMITED
上置集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
DISPOSAL OF EQUITY INTEREST IN
PROFIT CONCEPT INVESTMENTS LIMITED
AND RELATED SHAREHOLDER LOAN**

THE AGREEMENT

On 3 May 2018, the Seller (a direct wholly-owned subsidiary of the Company), the Purchaser (an Independent Third party) and the Target Company (an indirect wholly-owned subsidiary of the Company as at the date of this announcement) entered into the Agreement, pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the Sale Shares and the Sale Loan for a total consideration of approximately £29,475,967.30 (for illustration purpose only, equivalent to approximately HK\$315,687,609.78 using the exchange rate of £1:HK\$10.71).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal (calculated based on the total consideration for the Sale Shares and the Sale Loan) exceed(s) 5% but is/are less than 25%, the Disposal constitutes a discloseable transaction of 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

On 3 May 2018, the Seller (a direct wholly-owned subsidiary of the Company), the Purchaser (an Independent Third party) and the Target Company (an indirect wholly-owned subsidiary of the Company as at the date of this announcement) entered into the Agreement, pursuant to which the Seller

agreed to sell, and the Purchaser agreed to purchase, the Sale Shares and the Sale Loan for a total consideration of approximately £29,475,967.30 (for illustration purpose only, equivalent to approximately HK\$315,687,609.78 using the exchange rate of £1:HK\$10.71).

THE AGREEMENT

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

Date

3 May 2018 (after trading hours)

Parties

- (i) Sinopower Investment Limited (華通投資有限公司), a direct wholly-owned subsidiary of the Company, as the Seller;
- (ii) Ronghe International Group Limited (榮和國際集團有限公司), as the Purchaser; and
- (iii) Profit Concept Investments Limited (潤斯投資有限公司), an indirect wholly-owned subsidiary of the Company as at the date of this announcement, as the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

Subject matter

Subject to the terms and conditions of the Agreement, the Seller agreed to sell and the Purchaser agreed to purchase:-

- (i) with effect upon signing of the Agreement:
 - (a) the 1st Tranche Sale Shares, representing 48.9% of the total issued share capital of the Target Company;
 - (b) the 1st Tranche Sale Loan of £28,827,451.28, representing 48.9% of the total outstanding shareholder loan due from the Target Company to the Seller; and
- (ii) with effect after the existing bank facilities borrowed by Target Group have been repaid (the "**Relevant Event**"):
 - (a) the 2nd Tranche Sale Shares, representing 1.1% of the total issued share capital of the Target Company; and

- (b) the 2nd Tranche Sale Loan of £648,470.27, being 1.1% of the total outstanding shareholder loan due from the Target Company to the Seller.

The Target Company indirectly holds the entire beneficial interest in two real estate properties in London, the United Kingdom, namely 12 Moorgate and 41 Tower Hill. Please refer to the paragraphs headed “Information of the Target Company” below for further details.

Consideration

Pursuant to the Agreement, the total consideration of the Disposal amounts to approximately £29,475,967.30 (for illustration purpose only, equivalent to approximately HK\$315,687,609.78 using the exchange rate of £1:HK\$10.71), comprising the following:

- (i) a sum of approximately £28,827,496.02 (for illustration purpose only, equivalent to approximately HK\$308,742,482.37 using the exchange rate of £1:HK\$10.71) (the “**1st Tranche Payment**”) for the 1st Tranche Sale Shares and the 1st Tranche Sale Loan, which shall be payable by the Purchaser to the Seller in cash within five business days from the date of the Agreement; and
- (ii) a sum of £648,471.28 (for illustration purpose only, equivalent to approximately HK\$6,945,127.41 using the exchange rate of £1:HK\$10.71) for the 2nd Tranche Sale Shares and the 2nd Tranche Sale Loan, which shall be settled after the occurrence of the Relevant Event by way of set-off against an amount of £648,471.28 due from the Seller to the Purchaser.

The total consideration of the Disposal was determined after arm’s length negotiations between the Seller and the Purchaser, taking into consideration of, among others, (i) the assets and liabilities of the Target Group; (ii) the equity interest in the Target Company represented by the Sale Shares; (iii) the principal amount of the Sale Loan; and (iv) the estimated market value of the real estate properties held by the Target Group.

The Board is of the view that the terms of the Agreement (including the total consideration mentioned above), which have been reached after arm’s length negotiations between the parties, are fair and reasonable, and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Completion

Pursuant to the Agreement, (i) completion of the transfer of the 1st Tranche Sale Loan shall take place upon receipt of the 1st Tranche Payment by the Seller and completion of the transfer of the 1st Tranche Sale Shares shall take place within 5 business days thereafter; and (ii) completion of the transfer of the 2nd Tranche Sale Shares and the 2nd Tranche Sale Loan shall take place within 5 business days after the occurrence of the Relevant Event.

Upon completion of the Disposal, the Target Company will be held as to 50% by the Seller and 50% by

the Purchaser. It is expected that the Target Company will remain as a non-wholly owned subsidiary of the Company, and the financial results of the Target Group will continue to be consolidated into the financial statements of the Group.

Restrictions on transfers or encumbrances

Unless otherwise provided under the Agreement, the Seller or the Purchaser shall not transfer, directly or indirectly, its interests in any member of the Target Group (including equity interest and outstanding shareholder loans owed to it) to a third party, or create any encumbrances thereon, without the prior written consent of the other party.

In the event that the Seller or the Purchaser proposes to transfer its equity interest in the Target Company, the other party shall have a right of first refusal and a tag-along right.

Subsequent cooperation in respect of the Target Company

Pursuant to the Agreement, the board of directors of the Target Company shall comprise three directors, among whom two shall be appointed by the Seller and one shall be appointed by the Purchaser. The chairman of the board of directors of the Target Company shall be a director appointed by the Purchaser. Certain matters (the “**Reserved Matters**”) shall be unanimously approved by all directors of the Target Company, including (i) changes in the share capital of the Target Company; (ii) merger, division or change in form of organization of the Target Company; (iii) additional capital contribution; (iv) amendments of applicable constitutional documents; and (v) dissolution, liquidation, reorganization or voluntary bankruptcy petition in respect of the Target Company or its direct or indirect subsidiaries etc..

Apart from the Reserved Matters, all matters to be decided by the board of directors of the Target Company shall be determined by a simple majority of votes in board meetings.

In the event that the Target Company or its subsidiaries require additional funds from time to time, the Seller and the Purchaser shall provide the required funds by way of capital contribution to the Target Company in proportion to their respective shareholding in the Target Company.

INFORMATION OF THE GROUP AND THE SELLER

The Group is an integrated real estate developer focusing on high-quality development projects and renewal projects in first-tier cities and second-tier cities with high potential in the PRC. While the Group is mainly focusing on high-quality property development, it is also seeking to explore new opportunities in urban development and renewal, 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 Seller is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding. As at the date of this announcement, the Seller is the sole shareholder of the Target Company.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability, and is principally engaged in real estate investment and holding.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is indirectly wholly-owned by the Company as at the date of this announcement. The Target Company indirectly holds the entire beneficial interest in two real estate properties in London, the United Kingdom:

- (1) a freehold property known as 12 Moorgate, which is a six-storey office building situated at the corner of Moorgate and Telegraph Street in the EC2 postcode, a prominent banking district in the core of the City of London, providing approximately 33,941 square feet for office and ancillary accommodation arranged over basement, ground and six upper floors; and
- (2) the freehold interest in a 1.7 acre property site (which comprises a nine-storey office building known as 41 Tower Hill and an adjoining five-storey car park building known as Minorities Car Park) located in an established commercial district in Tower Hill on the east side of the City of London, and the leasehold interest in a strip of land to the north of the said freehold property. 41 Tower Hill provides approximately 170,000 square feet for office, retail and ancillary uses. Minorities Car Park provides approximately 320 car parking spaces.

Set out below is the consolidated financial information of the Target Group for the two years ended 31 December 2016 and 2017:

	For the financial year ended 31 December	
	2016	2017
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$</i>	<i>HK\$</i>
Net profit/(loss) before taxation and extraordinary items	14,871,682.67	(53,475,004.21)
Net profit/(loss) after taxation and extraordinary items	10,980,287.81	(63,561,235.69)

Accordingly to the unaudited management accounts of the Target Company as of 31 December 2017, the consolidated total assets and net liabilities of the Target Company was HK\$1,478,718,856.52 and HK\$48,740,971.39, respectively.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board considers that the Disposal provides a valuable opportunity for the Group to cooperate with the Purchaser as a strategic investor in the development and operation of the property projects held by the Target Group. In addition, the proceeds from the Disposal will enhance the Company's cash flow position and provide additional capital resources for the Company to capture other investment opportunities, which is in line with the Company's business strategy of investment-withdrawal and gain-capturing by adopting the "financing, investment, management and withdrawal" approach.

Having regard to the reasons and benefits mentioned above, the Board is of the view that the terms of the Agreement, which have been reached after arm's length negotiations between the parties, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

As mentioned above, the Target Company will be held as to 50% by the Seller and 50% by the Purchaser upon completion of the Disposal. It is expected that the Target Company will remain as a non-wholly owned subsidiary of the Company, and the financial results of the Target Group will continue to be consolidated into the financial statements of the Group. As such, subject to further audit procedures to be performed by the auditors of the Company, it is expected that the Group will not recognize any gain or loss on the Disposal.

The net proceeds to be received by the Group from the Disposal will be applied towards other real estate development projects of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal (calculated based on the total consideration for the Sale Shares and the Sale Loan) exceed(s) 5% but is/are less than 25%, the Disposal constitutes a discloseable transaction of 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 Disposal, and no Director has abstained from voting on the board resolutions approving the Agreement.

DEFINITIONS

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

“Agreement”	an agreement dated 3 May 2018 and entered into among the Seller, the Purchaser and the Target Company in relation to the Disposal
“Board”	the board of Directors
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Seller to the Purchaser pursuant to the Agreement
“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
“Independent Third Party”	an independent third party not connected with the Company or its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Ronghe International Group Limited (榮和國際集團有限公司), a company incorporated in Hong Kong with limited liability, an Independent Third Party
“Sale Loan”	the 1 st Tranche Sale Loan and the 2 nd Tranche Sale Loan
“Sale Shares”	the 1 st Tranche Sale Shares and the 2 nd Tranche Sale Shares
“Seller”	Sinopower Investment Limited (華通投資有限公司), a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company, the sole shareholder of the Target Company as at the date of this announcement

“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
“Target Company”	Profit Concept Investments Limited (潤斯投資有限公司), a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“1 st Tranche Sale Loan”	£28,827,451.28, being 48.9% of the total outstanding shareholder loan due from the Target Company to the Seller
“1 st Tranche Sale Shares”	489 ordinary shares in the Target Company, representing 48.9% of the total issued share capital of the Target Company
“2 nd Tranche Sale Loan”	£648,470.27, being 1.1% of the total outstanding shareholder loan due from the Target Company to the Seller
“2 nd Tranche Sale Shares”	11 ordinary shares in the Target Company, representing 1.1% of the total issued share capital of the Target Company
“%”	per cent
“£”	pound sterling, the lawful currency of the United Kingdom

By Order of the Board
SRE Group Limited
Peng Xinkuang
Chairman

Hong Kong, 3 May 2018

As at the date of this announcement, the Board comprises seven executive directors, namely Mr. Peng Xinkuang, Mr. Liu Feng, 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*