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SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSALS OF EQUITY INTEREST IN PROFIT CONCEPT INVESTMENTS LIMITED AND RELATED SHAREHOLDER LOANS

THE 2018 AGREEMENT

Reference is made to the 2018 Announcement.

While the 1st Tranche Sale Shares (as defined in the 2018 Announcement) and the 1st Tranche Sale Loan (as defined in the 2018 Announcement) were transferred from the Seller to Purchaser A pursuant to the 2018 Agreement, no completion for the transfer of the 2nd Tranche Sale Shares (as defined in the 2018 Announcement) and the 2nd Tranche Sale Loan (as defined in the 2018 Announcement) took place due to the non-occurrence of the Relevant Event (as defined in the 2018 Announcement). As such, the Target Company is held as to 51.1% by the Seller and 48.9% by Purchaser A as at the date of this announcement.

THE 2019 AGREEMENT

On 30 May 2019, the Seller (a direct wholly-owned subsidiary of the Company), Purchaser A (a connected person of the Company at the subsidiary level), Purchaser B (an Independent Third Party) and the Target Company (an indirect non-wholly owned subsidiary of the Company as at the date of this announcement) entered into the 2019 Agreement, pursuant to which the Seller conditionally agreed to sell, and (i) Purchaser A conditionally agreed to purchase, the Sale Shares A and the Sale Loan A for a total consideration of £13,114,339.98 (for illustration purpose only, equivalent to approximately HK\$131,274,543.20 using the exchange rate of £1:HK\$10.01); and (ii) Purchaser B conditionally agreed to purchase, the Sale Shares B and the Sale Loan B for a total consideration of £18,644,963.64 (for illustration purpose only, equivalent to approximately HK\$186,636,086.04 using the exchange rate of £1:HK\$10.01).

LISTING RULES IMPLICATIONS

As the 2018 Agreement and the 2019 Agreement were both entered into by the Seller, Purchaser A and the Target Company, and that the transfer of the 2nd Tranche Sale Shares (as defined in the 2018 Announcement) and the 2nd Tranche Sale Loan (as defined in the 2018 Announcement), which did not proceed to completion pursuant to the 2018 Agreement, is provided for in the 2019 Agreement as the proposed transfer of the 1st Tranche Sale Shares A and the 1st Tranche Sale Loan A, the 2018 Disposal and the 2019 Disposals would be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the 2019 Disposals (as aggregated with the 2018 Disposal) are greater than 25% but less than 75%, the 2019 Disposals constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge and information, and having made all reasonable enquiries, no Shareholder has any material interest in the 2019 Disposals. As such, no Shareholder is required to abstain from voting if a general meeting of the Company were convened to approve the 2019 Disposals. The Company has obtained a written approval from Jiashun in respect of the 2019 Disposals. Pursuant to Rule 14.44 of the Listing Rules, such written approval from Jiashun can be accepted in lieu of holding a general meeting for the purpose of approving the 2019 Disposals. Jiashun holds 12,500,000,000 Shares with voting rights (representing approximately 60.78% of the total issued Shares with voting rights of the Company based on a total of 20,564,713,722 Shares in issue as at the date of this announcement). Accordingly, no general meeting of the Company will be held for the approval of the 2019 Agreement and the transactions contemplated thereunder.

As Purchaser A is interested as to 48.9% of the equity interest in the Target Company as at the date of this announcement, Purchaser A is considered as a connected person of the Company at the subsidiary level, and thus Disposal A constitutes a connected transaction of the Company. Pursuant to Rule 14A.101 of the Listing Rules, as:

1. the Board has approved Disposal A and the transactions contemplated thereunder; and
2. the independent non-executive Directors have confirmed that the terms of Disposal A and the transactions contemplated thereunder are fair and reasonable, the transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole,

Disposal A and the transactions contemplated thereunder are exempt from the circular, independent financial advice and Shareholders' approval requirements but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

GENERAL

Pursuant to Rule 14.41 of the Listing Rules, a circular containing, amongst others, (i) further information on the 2019 Disposals and the 2019 Agreement; and (ii) other information required to be disclosed under the Listing Rules, will be despatched to the Shareholders within 15 business days after the publication of this announcement, that is, on or before 21 June 2019.

INTRODUCTION

Reference is made to the 2018 Announcement.

While the 1st Tranche Sale Shares (as defined in the 2018 Announcement) and the 1st Tranche Sale Loan (as defined in the 2018 Announcement) were transferred from the Seller to Purchaser A pursuant to the 2018 Agreement, no completion for the transfer of the 2nd Tranche Sale Shares (as defined in the 2018 Announcement) and the 2nd Tranche Sale Loan (as defined in the 2018 Announcement) took place due to the non-occurrence of the Relevant Event (as defined in the 2018 Announcement). As such, the Target Company is held as to 51.1% by the Seller and 48.9% by Purchaser A as at the date of this announcement.

On 30 May 2019, the Seller (a direct wholly-owned subsidiary of the Company), Purchaser A (a connected person of the Company at the subsidiary level), Purchaser B (an Independent Third Party) and the Target Company (an indirect non-wholly owned subsidiary of the Company as at the date of this announcement) entered into the 2019 Agreement, pursuant to which the Seller conditionally agreed to sell, and (i) Purchaser A conditionally agreed to purchase, the Sale Shares A and the Sale Loan A for a total consideration of £13,114,339.98 (for illustration purpose only, equivalent to approximately HK\$131,274,543.20 using the exchange rate of £1:HK\$10.01); and (ii) Purchaser B conditionally agreed to purchase, the Sale Shares B and the Sale Loan B for a total consideration of £18,644,963.64 (for illustration purpose only, equivalent to approximately HK\$186,636,086.04 using the exchange rate of £1:HK\$10.01).

THE 2019 AGREEMENT

The principal terms of the 2019 Agreement are set out as follows:

Date

30 May 2019 (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 Purchaser A;

(iii) Well Win Holding Trading Limited (佳成控股貿易有限公司), as Purchaser B; and

(iv) Profit Concept Investments Limited (潤斯投資有限公司), an indirect non-wholly owned subsidiary of the Company as at the date of this announcement, as the Target Company.

Purchaser A is interested as to 48.9% of the equity interest in the Target Company as at the date of this announcement, which is an indirect non-wholly owned subsidiary of the Company. As such, Purchaser A is considered as a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

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

Subject matter

Subject to the terms and conditions of the 2019 Agreement, the Seller conditionally agreed to sell and (i) Purchaser A conditionally agreed to purchase, the Sale Shares A and the Sale Loan A, representing 21.1% of the total issued share capital and the total outstanding shareholder loan due from the Target Company to its shareholders respectively, and (ii) Purchaser B conditionally agreed to purchase, the Sale Shares B and the Sale Loan B, representing 30.0% of the total issued share capital and the total outstanding shareholder loan due from the Target Company to its shareholders respectively.

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 for Disposal A

Pursuant to the 2019 Agreement, the total consideration of Disposal A amounts to £13,114,339.98 (for illustration purpose only, equivalent to approximately HK\$131,274,543.20 using the exchange rate of £1:HK\$10.01), comprising the following:

- (i) a sum of £648,471.28 (for illustration purpose only, equivalent to approximately HK\$6,491,197.51 using the exchange rate of £1:HK\$10.01) for the 1st Tranche Sale Shares A and the 1st Tranche Sale Loan A, which shall be settled by way of set-off against the Purchaser's A Loan;
- (ii) a sum of £12,465,868.70 (for illustration purpose only, equivalent to approximately HK\$124,783,345.69 using the exchange rate of £1:HK\$10.01) for the 2nd Tranche Sale Shares A and the 2nd Tranche Sale Loan A, subject to adjustment as specified below, which shall be payable by Purchaser A to the Seller in cash within 10 business days from the date of the 2019 Agreement.

The sum payable by Purchaser A shall be adjusted by (i) the amount of deposit paid by Purchaser A for Disposal A together with the interest derived therefrom totaling £2,433,600, and (ii) relevant legal fees and expenses in connection with Disposal A which shall be born equally by the Seller and Purchaser A. After adjustment, a sum of £9,909.134.52 (for illustration purpose only, equivalent to approximately HK\$99,190,436.55 using the exchange rate of £1:HK\$10.01) for the 2nd Tranche Sale Shares A and the 2nd Tranche Sale Loan A shall be payable by Purchaser A to the Seller in cash within 10 business days from the date of the 2019 Agreement.

Consideration for Disposal B

Pursuant to the 2019 Agreement, the total consideration of Disposal B amounts to £18,644,963.64 (for illustration purpose only, equivalent to approximately HK\$186,636,086.04 using the exchange rate of £1:HK\$10.01), which shall be adjusted by the amount of deposit paid by Purchaser B for Disposal B together with the interest derived therefrom totaling £3,650,400.00. After adjustment, a sum of £14,994,563.64 (for illustration purpose only, equivalent to approximately HK\$150,095,582.04 using the exchange rate of £1:HK\$10.01) for the Sale Shares B and the Sale Loan B shall be paid or procured to be paid by Purchaser B to the Seller in cash within 10 business days from the date of the 2019 Agreement.

The respective total consideration of Disposal A and Disposal B was determined after arm's length negotiations between the Seller and Purchaser A and Purchaser B, taking into consideration of, among others, (i) the assets and liabilities of the Target Group; (ii) the respective equity interest in the Target Company represented by the Sale Shares A and the Sale Shares B; (iii) the respective principal amount of the Sale Loan A and the Sale Loan B; 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 2019 Agreement (including the respective total consideration of Disposal A and Disposal B mentioned above), which have been reached after arm's length negotiations between the parties, are fair and reasonable, and the 2019 Disposals are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Completion

Subject to the Company having satisfied all relevant regulatory requirements in connection with the 2019 Disposals, including obtaining Shareholders' approval for the 2019 Disposals, completion of the 2019 Disposals shall take place on the 10th business day after the date of the 2019 Agreement.

Upon completion of the 2019 Disposals, the Target Company will be held as to 70% by Purchaser A and 30% by Purchaser B, and the Company will no longer hold any interest in the Target Company. The Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

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 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 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 directly owns 51.1% of the equity interest in the Target Company.

INFORMATION OF PURCHASER A

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

INFORMATION OF PURCHASER B

Purchaser B 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 owned by the Company as to 51.1% 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 2017 and 2018:

	For the financial year ended	
	31 December	
	2017	2018
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$</i>	<i>HK\$</i>
Net profit/(loss) before taxation and extraordinary items	(53,475,004.21)	41,252,431.53
Net profit/(loss) after taxation and extraordinary items	(63,561,235.69)	48,445,962.68

Accordingly to the unaudited financial statement of the Target Group as of 31 December 2018, the consolidated total assets and net assets of the Target Group was HK\$1,279,291,656.82 and HK\$92,373,987.39, respectively.

REASONS FOR AND BENEFITS OF THE 2019 DISPOSALS

The Board considers that the 2019 Disposals provide an appropriate opportunity for the Group to realise its investment in the property projects held by the Target Group under the circumstances of Brexit's uncertainties and the dim prospect of the sterling exchange rate. In addition, the proceeds from the 2019 Disposals will enhance the Company's cash flow position and provide additional capital resources for the Company's other invested projects and capture other investment opportunities, which is in line with the Company's current 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 2019 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 2019 DISPOSALS AND USE OF PROCEEDS

As mentioned above, upon completion of the 2019 Disposals, the Target Company will be held as to 70% by Purchaser A and 30% by Purchaser B, and the Company will no longer hold any interest in the Target Company. The Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

Based on (i) the unaudited consolidated net asset value of the Target Group of approximately HK\$92,373,987.39 as at 31 December 2018; (ii) the Sale Loans of £31,759,256.88 as at the date of the 2019 Agreement; and (iii) the consideration attributable to the Sale Shares and the Sale Loans, it is estimated that the Group will record a gain of approximately HK\$306,374.07 from the 2019 Disposals, subject to further audit procedures to be performed by the auditors of the Company in consideration of the effects of fluctuations in exchange rate and other uncertainties.

The net proceeds to be received by the Group from the 2019 Disposals will be applied towards other real estate development projects of the Group and repayment of the outstanding Shareholders' loans of the Company.

LISTING RULES IMPLICATIONS

As the 2018 Agreement and the 2019 Agreement were both entered into by the Seller, Purchaser A and the Target Company, and that the transfer of the 2nd Tranche Sale Shares (as defined in the 2018 Announcement) and the 2nd Tranche Sale Loan (as defined in the 2018 Announcement), which did not proceed to completion pursuant to the 2018 Agreement, is provided for in the 2019 Agreement as the proposed transfer of the 1st Tranche Sale Shares A and the 1st Tranche Sale Loan A, the 2018 Disposal and the 2019 Disposals would be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the 2019 Disposals (as aggregated with the 2018 Disposal) are greater than 25% but less than 75%, the 2019 Disposals constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge and information, and having made all reasonable enquiries, no Shareholder has any material interest in the 2019 Disposals. As such, no Shareholder is required to abstain from voting if a general meeting of the Company were convened to approve the 2019 Disposals. The Company has obtained a written approval from Jiashun in respect of the 2019 Disposals. Pursuant to Rule 14.44 of the Listing Rules, such written approval from Jiashun can be accepted in lieu of holding a general meeting for the purpose of approving the 2019 Disposals. Jiashun holds 12,500,000,000 Shares with voting rights (representing approximately 60.78% of the total issued Shares with voting rights of the Company based on a total of 20,564,713,722 Shares in issue as at the date of this announcement). Accordingly, no general meeting of the Company will be held for the approval of the 2019 Agreement and the transactions contemplated thereunder.

As Purchaser A is interested as to 48.9% of the equity interest in the Target Company as at the date of this announcement, Purchaser A is considered as a connected person of the Company at the subsidiary level, and thus Disposal A constitutes a connected transaction of the Company. Pursuant to Rule 14A.101 of the Listing Rules, as:

1. the Board has approved Disposal A and the transactions contemplated thereunder; and
2. the independent non-executive Directors have confirmed that the terms of Disposal A and the transactions contemplated thereunder are fair and reasonable, the transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole,

Disposal A and the transactions contemplated thereunder are exempt from the circular, independent financial advice and Shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A 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 2019 Disposals, and no Director has abstained from voting on the board resolutions approving the 2019 Agreement.

GENERAL

Pursuant to Rule 14.41 of the Listing Rules, a circular containing, amongst others, (i) further information on the 2019 Disposals and the 2019 Agreement; and (ii) other information required to be disclosed under the Listing Rules, will be despatched to the Shareholders within 15 business days after the publication of this announcement, that is, on or before 21 June 2019.

DEFINITIONS

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

“2019 Agreement”	an agreement dated 30 May 2019 and entered into among the Seller, Purchaser A, Purchaser B and the Target Company in relation to the 2019 Disposals
“2018 Agreement”	an agreement dated 3 May 2018 and entered into among the Seller, Purchaser A and the Target Company in relation to the disposal of 50% of the total issued share capital of the Target Company and 50% of the total outstanding shareholder loan then due from the Target Company to the Seller as at the date of the 2018 Agreement
“2018 Announcement”	the announcement of the Company dated 3 May 2018 in respect of the 2018 Agreement
“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 A”	the disposal of the Sale Shares A and the Sale Loan A by the Seller to Purchaser A pursuant to the 2019 Agreement

“Disposal B”	the disposal of the Sale Shares B and the Sale Loan B by the Seller to Purchaser B pursuant to the 2019 Agreement
“2018 Disposal”	the disposal of shares in and shareholder loan due from the Target Company by the Seller to Purchaser A pursuant to the 2018 Agreement
“2019 Disposals”	Disposal A and Disposal B
“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)
“Jiashun”	Jiashun (Holding) Investment Limited (嘉順(控股)投資有限公司), a company incorporated in Hong Kong and the controlling Shareholder holding approximately 60.78% of the total issued share capital of the Company
“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 A”	Ronghe International Group Limited (榮和國際集團有限公司), a company incorporated in Hong Kong with limited liability, a connected person of the Company at the subsidiary level
“Purchaser B”	Well Win Holding Trading Limited (佳成控股貿易有限公司), a company incorporated in Hong Kong with limited liability, an Independent Third Party
“Sale Loans”	the Sale Loan A and the Sale Loan B
“Sale Loan A”	the 1st Tranche Sale Loan A and the 2nd Tranche Sale Loan A, totaling £13,114,320.68, representing 21.1% of the total outstanding shareholder loan due from the Target Company to its shareholders as at the date of the 2019 Agreement

“Sale Loan B”	£18,644,936.20, representing 30.0% of the total outstanding shareholder loan due from the Target Company to its shareholders as at the date of the 2019 Agreement
“Sale Shares”	the Sale Shares A and the Sale Shares B
“Sale Shares A”	the 1st Tranche Sale Shares A and the 2nd Tranche Sale Shares A, totaling 211 ordinary shares in the Target Company, which represent 21.1% of the total issued share capital of the Target Company
“Sale Shares B”	300 ordinary shares in the Target Company, which represent 30.0% of the total issued share capital of the Target Company
“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, which directly owns 51.1% of the equity interest in 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\$1.0 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 non-wholly owned subsidiary of the Company as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“1st Tranche Sale Loan A”	£648,470.27, representing 1.1% of the total outstanding shareholder loan due from the Target Company to its shareholders as at the date of the 2019 Agreement
“1st Tranche Sale Shares A”	11 ordinary shares in the Target Company, representing 1.1% of the total issued share capital of the Target Company
“2nd Tranche Sale Loan A”	£12,465,850.40, representing 20% of the total outstanding shareholder loan due from the Target Company to its shareholders as at the date of the 2019 Agreement

“2nd Tranche Sale Shares A”	200 ordinary shares in the Target Company, representing 20.0% of the total issued share capital of the Target Company
“%”	per cent
“£”	pound sterling, the lawful currency of the United Kingdom

On Behalf of the Board
SRE Group Limited
Peng Xinkuang
Chairman

Hong Kong, 30 May 2019

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. Zhu Qiang, Ms. Qin Wenying and Mr. Jiang Qi; 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*