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SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

**CONNECTED TRANSACTION
ACQUISITION OF 39% EQUITY INTEREST IN A SUBSIDIARY**

THE EQUITY TRANSFER AGREEMENT

On 4 August 2021 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Sellers, pursuant to which the Purchaser agreed to purchase and the Sellers agreed to sell an aggregate of 39% equity interest in the Target Company at the Consideration of RMB22,240,931.51. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

Each of the Sellers is a connected person of the Company at the subsidiary level. Therefore, the Acquisition constitutes a connected transaction of the Company. As the applicable percentage ratios in respect of the Acquisition (as aggregated with the Previous Transaction) are more than 1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 4 August 2021 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Sellers, pursuant to which the Purchaser agreed to purchase and the Sellers agreed to sell an aggregate of 39% equity interest in the Target Company at the Consideration of RMB22,240,931.51.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

- Date: 4 August 2021 (after trading hours)
- Parties:
- (i) Seller 1: Shanghai Huaji Financial Services Co., Ltd.*
(上海華集財務服務有限公司)
 - (ii) Seller 2: Shanghai Henglongtai Investment Consultancy Co., Ltd.*
(上海恒瓏泰投資諮詢有限公司)
 - (iii) Purchaser: Ningbo Meishan Bonded Port Area Jiayu Investment Co., Ltd.*
(寧波梅山保稅港區嘉瑀投資有限公司)
 - (iv) Target Company: Dalian SRE Property Development Co., Ltd.*
(大連上置房地產開發有限公司)

Subject matter: Pursuant to the Equity Transfer Agreement, the Purchaser agreed to purchase, and Seller 1 and Seller 2 agreed to sell 24% and 15% equity interest in the Target Company, respectively.

Consideration: The Consideration is RMB22,240,931.51, comprising RMB13,547,506.85 for the 24% equity interest in the Target Company held by Seller 1 and RMB8,693,424.66 for the 15% equity interest in the Target Company held by Seller 2.

The Consideration was determined after arm's length negotiations between the Purchaser and the Sellers with reference to the actual capital contributions made by the Sellers to the Target Company and an annualized rate of return of 10%.

The Consideration will be settled by internal resources of the Group.

Payment terms: The Consideration shall be settled by the Purchaser in the following manner:

- (i) RMB3,000,000 and RMB2,000,000 shall be payable by the Purchaser to Seller 1 and Seller 2, respectively, as deposit within 5 business days after the date of the Equity Transfer Agreement; and

- (ii) the balance of the Consideration of RMB10,547,506.85 and RMB6,693,424.66 shall be payable by the Purchaser to Seller 1 and Seller 2, respectively, within 60 days after the completion of the industrial and commercial registration of equity transfer and the issue of new business licence of the Target Company.

INFORMATION ON THE GROUP

The Group is an integrated real estate developer focusing on real estate investment and development business in first and second-tier cities in the PRC, particularly in the Shanghai Metropolitan Area which is geographically the base for the Group's property development business, and popular cities in the Yangtze River Economic Belt. The Group is committed to expanding by virtue of integration development of "industry + real estate + finance" under the models of "financial city" and "primary and secondary co-development in industrial-urban integration". The Group will also expand its investment businesses, accelerate the investment-withdrawal and profit-making process by adopting the "financing, investment, management and exit" approach, and operate in a "light and heavy assets in parallel" model. The Group also focuses on investment opportunities in the high-growth regions along the "One Belt, One Road", striving to become a fully integrated trans-sector finance and real estate group.

INFORMATION ON THE SELLERS

Seller 1 is a company established in the PRC with limited liability and is principally engaged in corporate management consultancy, business information consultancy, investment management and consultancy. Seller 1 is owned as to 60% by Shen Zhengfeng (沈崢峰) and 40% by Zuo Hongxia (左紅霞). As at the date of this announcement, Seller 1 is a substantial shareholder of 24% equity interest in the Target Company and therefore is a connected person of the Company at the subsidiary level.

Seller 2 is a company established in the PRC with limited liability and is principally engaged in financial consultancy, corporate management consultancy and corporate marketing planning. Seller 2 is owned as to 50% by Du Guangming (杜光明) and 50% by Liaoning Shenglu Property Development Co., Ltd.*, which is in turn owned as to 70% by Leng Lianfeng (冷連豐) and 30% by Liu Jun (劉軍). As at the date of this announcement, Seller 2 is a substantial shareholder of 15% equity interest in the Target Company and therefore is a connected person of the Company at the subsidiary level.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from the holding of equity interest by the Sellers in the Target Company, the Sellers and their respective ultimate beneficial owners are third parties independent of

the Company and its connected persons. Upon completion of the Acquisition, the Sellers will cease to hold any equity interest in the Target Company and therefore will no longer be a connected person of the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and is principally engaged in property development in Wafangdian, Dalian, the PRC. As at the date of this announcement, the Target Company is a non-wholly-owned subsidiary of the Company and the Company, Seller 1 and Seller 2 are interested in 61%, 24% and 15% of its equity interests, respectively.

As at 31 December 2020, the unaudited net assets of the Target Company amounted to approximately RMB18,077,485. The following table summarises the unaudited financial information of the Target Company for the years ended 31 December 2019 and 2020:

	For the year ended 31 December 2019	For the year ended 31 December 2020
	(unaudited)	(unaudited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Loss before taxation	(1,208)	(1,985)
Loss after taxation	(1,208)	(1,985)

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is a joint venture set up by the Company and the Sellers for the purpose of development of a residential and commercial property project in Wafangdian, Dalian, the PRC. As at the date of this announcement, land acquisition and demolition work for the property project has been completed and the property project will soon enter the comprehensive development stage.

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company. The Board is of the view that the Acquisition will enable the Company to acquire full control over the management and operation of the Target Company and to exclusively enjoy the economic benefits to be derived from the property project of the Target Company.

Having regard to the reasons for and benefits of the Acquisition, the Board is of the view that the terms of the Equity Transfer Agreement, which have been reached after arm's length negotiations 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.

LISTING RULES IMPLICATIONS

Prior to the entering into of the Equity Transfer Agreement, the Purchaser acquired 10% equity interest in the Target Company from JIC Trust Co., Ltd. (中建投信託股份有限公司) at the consideration of RMB3,000,000 (the “**Previous Transaction**”). As all applicable percentage ratios were less than 1% and the Previous Transaction was a connected transaction only because it involved connected person of the Company at the subsidiary level, the Previous Transaction was fully exempt from the reporting, announcement, circular, independent financial advice and shareholders’ approval requirements pursuant to Rule 14A.76(1)(b) of the Listing Rules.

As mentioned above, each of the Sellers is a connected person of the Company at the subsidiary level. Therefore, the Acquisition constitutes a connected transaction of the Company. As the Previous Transaction and the Acquisition both involved the acquisition of equity interest in the Target Company and were entered into within a 12-month period, the Acquisition would be aggregated with the Previous Transaction as a series of transactions pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratios in respect of the Acquisition (as aggregated with the Previous Transaction) are more than 1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Director has a material interest in the Acquisition, and no Director has abstained from voting on the Board resolutions approving the Equity Transfer Agreement.

DEFINITIONS

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

“Acquisition”	the acquisition of 39% equity interest in the Target Company by the Purchaser from the Sellers pursuant to the Equity Transfer 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
“Consideration”	the total consideration of the Acquisition, being RMB22,240,931.51
“Director(s)”	the director(s) of the Company

“Equity Transfer Agreement”	the equity transfer agreement dated 4 August 2021 entered into between the Purchaser and the Sellers in respect of the Acquisition
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Ningbo Meishan Bonded Port Area Jiayu Investment Co., Ltd.* (寧波梅山保稅港區嘉瑀投資有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	Seller 1 and Seller 2
“Seller 1”	Shanghai Huaji Financial Services Co., Ltd.* (上海華集財務服務有限公司), a company established in the PRC with limited liability, which holds 24% equity interest in the Target Company as at the date of this announcement
“Seller 2”	Shanghai Henglongtai Investment Consultancy Co., Ltd.* (上海恒龍泰投資諮詢有限公司), a company established in the PRC with limited liability, which holds 15% 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\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”

Dalian SRE Property Development Co., Ltd.* (大連上置房地產開發有限公司), a company established in the PRC with limited liability, a non-wholly-owned subsidiary of the Company and the Company is interested in 61% of its equity interest as at the date of this announcement

“%”

per cent.

In this announcement, unless the context otherwise requires, the terms “connected person(s)”, “connected transaction(s)”, “substantial shareholder(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

By Order of the Board
SRE Group Limited
Hong Zhihua
Chairman

Hong Kong, 4 August 2021

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Hong Zhihua, Mr. Kong Yong, Mr. Xu Ming and Mr. Jiang Qi; two non-executive Directors, namely Mr. Lu Jianhua and Mr. Luo Guorong; and three independent non-executive Directors, namely Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai and Mr. Ma Lishan.

* For identification purpose only