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SRE GROUP LIMITED

上置集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1207)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF KONMEN INVESTMENT LIMITED
APPLICATION FOR WHITEWASH WAIVER
AND
RESUMPTION OF TRADING**

JOINT FINANCIAL ADVISERS

COMMERZBANK 
COMMERZBANK AG
Hong Kong Branch



SOMERLEY LIMITED

THE ACQUISITION

On 17 August 2007, the Vendor, the Purchaser and the Company entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Share for the consideration of HK\$1,600 million, which will be satisfied at Completion by the Company issuing the Consideration Shares, credited as fully paid-up, to the Vendor or as it may direct. The Sale Share represents the entire issued share capital of the Subject Company, which in turn holds a 70% equity interest in the PRC Subsidiary. The PRC Subsidiary is the owner of the Properties and has successfully won the bid in August 2007 for the acquisition of the Land. The Consideration Shares will be issued at the Issue Price of HK\$3.04 per Share, and when issued, will rank pari passu amongst themselves and in all respects with the existing Shares in issue as at the Completion Date. The Consideration Shares represent approximately 23.80% of the existing issued share capital of the Company and approximately 19.22% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. Furthermore, as the Vendor is a controlling Shareholder and thus a connected person of the Company under the Listing Rules, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to the announcement, reporting and independent shareholders' approval requirements by way of a poll at the SGM under the Listing Rules. Accordingly, the Vendor, Mr. Shi Jian and Md. Si Xiao Dong, spouse of Mr. Shi Jian, who altogether hold approximately 30.68% direct interest in the Company, Mr. Yu Hai Sheng, who holds approximately 0.05% direct interest in the Company, and each of Mr. Li Yao Min, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang who respectively holds approximately 0.0001% direct interest in the Company, (where Mr. Shi Jian and Mr. Li Yao Min are the shareholder and directors of both the Vendor and the Company, Mr. Yu Hai Sheng is a shareholder of the Vendor and a Director, Md. Si Xiao Dong and Mr. Shi Jian Dong are shareholders and directors of the Vendor, Mr. Sze Sin Chi and Mr. Chen Zheng Liang are shareholders of the Vendor) and their respective associates will abstain from voting at the SGM in respect of the resolutions for approving the Acquisition and the issue of the Consideration Shares. The Directors have confirmed that save for the above, no other Shareholders are interested in the Acquisition.

As at the date of this announcement, the Vendor, together with the parties acting in concert with it, hold a total of 679,696,663 Shares, representing approximately 30.73% of the total issued share capital of the Company. As Completion and the issue of the Consideration Shares would result in the Vendor and the parties acting in concert with it acquiring more than 2% of the voting rights of the Company (increasing from approximately 30.73% to 44.05% assuming that there is no change in shareholding of the Vendor and its concert parties in the Company and that no Shares will be issued or repurchased between the date of the Acquisition Agreement and Completion) within the 12-month period immediately preceding the Completion Date, the Vendor and parties acting in concert with it would be obliged to make a mandatory offer for all the securities of the Company not already owned or agreed to be acquired by them pursuant to the Takeovers Code. The Vendor will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to, among others, the approval of the Independent Shareholders by way of poll at the SGM. The Vendor and the parties acting in concert with it, their respective associates and those involved or interested in the Acquisition and the Whitewash Waiver (including Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang) shall abstain from voting at the SGM in respect of the resolution for approving the Whitewash Waiver.

INDEPENDENT BOARD COMMITTEES AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, an independent board committee (the "Whitewash IBC") comprising all the non-executive Directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong, and all the independent non-executive Directors, namely Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E Hock Yap, is established to advise the Independent Shareholders in respect of the Whitewash Waiver and the transactions under the Acquisition Agreement. In addition, under Rule 13.39(6)(a) of the Listing Rules, an independent board committee (the "Acquisition IBC") comprising

all the independent non-executive Directors is formed to advise the Independent Shareholders in respect of the transactions under the Acquisition Agreement. No member of the Whitewash IBC or the Acquisition IBC has any interest or involvement in the transactions contemplated under the Acquisition Agreement or the Whitewash Waiver. The Company has appointed, with the respective approvals of the Whitewash IBC and the Acquisition IBC, China Merchants Securities (HK) Co., Ltd., as an independent financial adviser (the “Independent Financial Adviser”), to advise the Whitewash IBC, the Acquisition IBC and the Independent Shareholders on the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver.

GENERAL

A circular containing, among other things, further details relating to (i) the Acquisition; (ii) the issue of the Consideration Shares; (iii) the Whitewash Waiver; (iv) the advice of the Independent Financial Adviser to the Whitewash IBC, the Acquisition IBC and the Independent Shareholders in respect of the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver; (v) the recommendations of the Whitewash IBC and the Acquisition IBC to the Independent Shareholders in respect of the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver; (vi) the notice convening the SGM and (vii) other information as required under the Listing Rules and the Takeovers Code, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules and the Takeovers Code.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 2:30 p.m. on 16 August 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 20 August 2007.

THE ACQUISITION AGREEMENT

Date

17 August 2007

Parties to the Acquisition Agreement

- (i) Good Time Resources Limited, the controlling Shareholder, as the vendor;
- (ii) Goldfull Enterprises Limited, a wholly-owned subsidiary of the Company, as the purchaser; and
- (iii) the Company.

As at the date of this announcement, the Vendor, being an investment holding company, is the controlling Shareholder holding 676,545,379 Shares, representing approximately 30.59% of the total issued share capital of the Company. The Vendor is therefore a connected person of the Company as defined under the Listing Rules.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire from the Vendor and the Vendor has conditionally agreed to sell to the Purchaser the Sale Share representing the entire issued share capital of the Subject Company.

The Vendor had on 17 August 2007 entered into the Vendor Acquisition Agreement to acquire the Sale Share from Mr. Wong, the present sole shareholder of the Subject Company, at the consideration of HK\$1,600 million to be settled in cash by installments comprising HK\$50 million upon signing of the Vendor Acquisition Agreement, HK\$350 million upon completion of the Vendor Acquisition Agreement and the remaining balance in 4 equal instalments over the two years from completion of the Vendor Acquisition Agreement. Completion of the Vendor Acquisition Agreement is subject to completion of a due diligence review by the Vendor on the Subject Company, the PRC Subsidiary, the Land and the Properties to its satisfaction. The last date for the fulfilment of the conditions under the Vendor Acquisition Agreement is 31 October 2007. Following completion of the Vendor Acquisition Agreement, the Sale Share will be sold by the Vendor to the Purchaser pursuant to the Acquisition Agreement.

The Consideration

The Consideration is HK\$1,600 million, which will be satisfied at Completion by the Company issuing 526,315,789 Consideration Shares at the Issue Price of HK\$3.04 per Consideration Share, credited as fully paid-up, to the Vendor or as it may direct. The Consideration was determined after arm's length negotiation between the Company and the Vendor, with reference to, among other things (i) the Vendor Consideration; (ii) the location of the Land and the Properties; (iii) the Valuation; (iv) the market potential of the property market in the city of Shenyang, the PRC and (v) the asset and liability and financial position of the Subject Company which principally comprise its investment in the PRC Subsidiary and a shareholder's loan due to Mr. Wong (which amounted to HK\$10,505,842 as at the date of the Acquisition Agreement). In view of the facts that (i) the Consideration is equal to the Vendor Consideration which is determined with reference to the Valuation and the asset and liability value of the Subject Group; (ii) the Land is located at the prime residential/commercial area of Shenyang and (iii) the Group's business strategy in expanding from Shanghai to other regions in the PRC to diversify its portfolio, the executive Directors considered that the Consideration is fair and reasonable and the entering into of the Acquisition Agreement is in the interest of the Company and the Shareholders as a whole. The Land and the Properties were valued at HK\$2,301 million (or HK\$1,610.7 million for 70%) by the Independent Valuer. The Land was valued as if all the demolition and relocation works have been completed. The text of the Valuation Report will be included in the circular of the Company to be despatched to the Shareholders in accordance with the Listing Rules and the Takeovers Code.

The Issue Price

The Consideration Shares will be issued at the issue price of HK\$3.04 per Consideration Share, which is determined after arm's length negotiation between the Company with the Vendor, with reference to the average closing price for the last 10 trading days up to and including the Last Trading Day. The Issue Price represents:

- (i) a premium of approximately 10.55% over the closing price of HK\$2.75 per Shares as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 3.40% over the closing price of HK\$2.94 per Shares as quoted on the Stock Exchange on the Last Full Trading Day;
- (iii) a premium of approximately 0.33% over the average closing price of HK\$3.03 per Share, as quoted on the Stock Exchange for the five trading days up to and including the Last Full Trading Day;
- (iv) a discount of approximately 6.75% to the average closing price of HK\$3.26 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Full Trading Day;
- (v) a discount of approximately 9.52% to the average closing price of HK\$3.36 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Full Trading Day; and
- (vi) a premium of approximately 155.46% over the Group's consolidated audited net asset per Share (excluding minority interest) as at 31 December 2006 of approximately HK\$1.19 (based on a total of 2,211,528,332 Shares as at the date of this announcement).

The Consideration Shares

As at the date of the Acquisition Agreement, there were 2,211,528,332 Shares in issue and the 526,315,789 Consideration Shares represent:

- (i) approximately 23.80% of the existing issued share capital of the Company; and
- (ii) approximately 19.22% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Status of the Consideration Shares

The Consideration Shares, when issued and credited as fully paid will rank pari passu amongst themselves and in all respects with the existing Shares in issue as at the Completion Date. An ordinary resolution will be proposed at the SGM to seek, among other things, a specific mandate for the issue of the Consideration Shares pursuant to the Acquisition Agreement.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions to Completion

Pursuant to the Acquisition Agreement, Completion is conditional upon the following conditions being satisfied or waived (whether in full or in part, with or without conditions) by the Purchaser on or before the Long Stop Date or such later date as may be agreed between the Purchaser and the Vendor:–

- (i) the passing of a resolution at the SGM voted by the Independent Shareholders to approve:–
 - the Acquisition Agreement and the transactions contemplated thereunder, including the issue and allotment of the Consideration Shares pursuant to the Acquisition Agreement; and
 - the Whitewash Waiver;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares;
- (iii) the Executive of the SFC granting the Whitewash Waiver;
- (iv) completion of the Vendor Acquisition Agreement;
- (v) the Purchaser undertaking and completing a due diligence investigation as further detailed in the Acquisition Agreement in respect of the Subject Group including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financial structure and shareholding structure of the Subject Group and the Purchaser being satisfied with the results of such due diligence investigation in all respects;
- (vi) the receipt by or on behalf of the Purchaser of a legal opinion issued by a firm of qualified lawyers in the PRC in such form and content as may be satisfactory to the Purchaser regarding, amongst other things, the legal status, ownership, shareholding structure and registered capital in the PRC Subsidiary, the title to each of the Land and the Properties and any other matters which the Purchaser considers relevant in connection with the sale and purchase contemplated under the Acquisition Agreement; and
- (vii) the parties to the Acquisition Agreement having obtained any and all other consents, permits, approvals, authorisations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated by the Acquisition Agreement.

If any of the Conditions is not fulfilled or waived by the Purchaser (other than the conditions in (i) to (iv) and (vii) above which cannot be waived) including, amongst others, the Whitewash Waiver, on or before the Long Stop Date, the Acquisition Agreement shall lapse and be of no further effect and no party to the Acquisition Agreement shall have any claim against or liability or obligation to the other party in respect of the Acquisition Agreement save and except for any antecedent breach but the parties shall continue to observe the confidentiality provisions set out in the Acquisition Agreement.

Completion

Subject to and conditional upon fulfillment or waiver of all the Conditions on or before the Long Stop Date, Completion shall take place on the Completion Date.

After Completion, both the Subject Company and the PRC Subsidiary will become subsidiaries of the Company.

Other principal terms of the Acquisition Agreement

Payment of the Purchase Price

The PRC Subsidiary has successfully won the bid for the acquisition of the Land at the Purchase Price of RMB1,192,680,960 at an auction held on 3 August 2007 at the Shenyang Municipal Land Exchange. The Purchase Price is inclusive of demolition and relocation costs but will be subject to adjustments (i) according to planning and the actual site area specified in the land use rights certificate to be issued by the State Land Administration Authority of the PRC on or before 2 December 2007; and (ii) additional relocation cost mainly related to the relocation of the existing residents on the Land in excess of the current estimate, if any, is payable by the PRC Subsidiary, being the purchaser of the Land.

As the PRC Subsidiary is the contractual party liable to pay the Purchase Price and such payment is expected to be incurred after Completion, the Vendor has undertaken to pay to the PRC Subsidiary before the due date for payment of the Purchase Price of an amount up to RMB1,192,680,960. The PRC Subsidiary is obliged to pay to the difference (the "Difference") between RMB1,192,680,960 and the actual amount of the Purchase Price as a result of the above-mentioned adjustments on its own account. The Company expects that the PRC Subsidiary will be able to obtain sufficient working capital through various means, including, but not limited to, bank financing to settle the Difference. Nevertheless, if the PRC Subsidiary is unable to obtain financing for such purpose, the Vendor has further undertaken that it will make loans at an amount representing the Difference to the PRC Subsidiary.

Undertaking by the Vendor as to the obtaining of the land use right certificate of the Land

Completion is expected to take place before the land use right certificate in respect of the Land is obtained by the PRC Subsidiary. According to the PRC legal advisers to the Company, subject to fulfillment of procedures and formalities as required under the relevant laws and regulations, there is no legal impediment for the PRC Subsidiary to obtain the said land use right certificate. The Vendor has undertaken to the Company that if the PRC Subsidiary fails to obtain the land use right certificate of the Land on or before 30 June 2009, the Vendor will pay the Consideration in cash to the Company on or before 31 December 2009. The Company will make relevant announcement(s) if the land use right certificate of the Land is not obtained by the PRC Subsidiary on or before 30 June 2009 and when the Vendor pays the Consideration in cash to the Company. Given the above, the executive Directors are of the view that completing the Acquisition Agreement before the land use right certificate in respect of the Land is obtained by the PRC Subsidiary is on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Vendor to bear liabilities of the PRC Subsidiary at Completion

The Vendor has undertaken to the Purchaser that it shall bear all liabilities of the PRC Subsidiary of any nature at Completion, and to reimburse the Purchaser, the Subject Company or the PRC Subsidiary (as the Purchaser may direct) the relevant amounts payable in respect of all such liabilities to the extent they have not been paid for by Mr. Wong and/or the shareholder who holds the remaining 30% equity interest in the PRC Subsidiary.

Purchaser to bear liabilities of the Subject Company at Completion

The Subject Company will continue to bear the shareholder's loan amounting to HK\$10,505,842 as at the date of the Acquisition Agreement, which is unsecured, non-interest bearing, repayable on demand and will not be adjusted, due from the Subject Company to Mr. Wong upon Completion.

Purchaser to pay or deliver the assets of the Subject Group at Completion

The Purchaser is purchasing the Sale Share on the basis that the PRC Subsidiary will not be entitled to the assets of the PRC Subsidiary at Completion save for the units in either of the Properties that remained unsold on 30 June 2007, which shall belong to the PRC Subsidiary upon Completion. The Purchaser has agreed to procure the PRC Subsidiary to pay, deliver or assign such assets (including accounts receivables, other receivables and fixed assets) or an amount equal to such assets on or after the Completion to Mr. Wong to the extent such assets or amount have not already been paid to Mr. Wong and/or the shareholder who holds the remaining 30% equity interest in the PRC Subsidiary prior to Completion.

BACKGROUND INFORMATION ON THE SUBJECT COMPANY AND THE PRC SUBSIDIARY

The Subject Company

The Subject Company is an investment holding company incorporated under the laws of the BVI on 2 January 2007 which holds a 70% equity interest in the PRC Subsidiary. The Subject Company has not had any operations since its incorporation other than the acquisition of the 70% equity interest in the PRC subsidiary and its principal asset and liabilities are the 70% equity interest in the PRC Subsidiary and the shareholder's loan due to Mr. Wong amounting to HK\$10,505,842. Accordingly, the Subject Company has not prepared any audited financial statements.

The PRC Subsidiary

The PRC Subsidiary is a limited liability company established in the PRC on 4 December 2000 and is principally engaged in property development in the PRC, particularly, in Shenyang. The PRC Subsidiary is the owner of the Properties, namely the residential estates of 書香門第 (“Shu Xiang Men Di”) and 建賞歐洲 (“Appreciate Europe”). The PRC Subsidiary has also successfully won the bid held on 3 August 2007 for the acquisition of the Land.

Based on the PRC Audit Report 2006, the audited net assets of the PRC Subsidiary amounted to approximately RMB26.2 million (equivalent to approximately HK\$27.0 million) as at 31 December 2006 and it also recorded an audited loss before and after tax of approximately RMB9.2 million (equivalent to approximately HK\$9.5 million) and RMB9.2 million (equivalent to approximately HK\$9.5 million) respectively for the year ended 31 December 2006. Based on the PRC Audit Report 2005, the PRC Subsidiary recorded an audited profit before and after tax of approximately RMB6.8 million (equivalent to approximately HK\$7.0 million) and RMB4.5 million (equivalent to approximately HK\$4.7 million) respectively for the year ended 31 December 2005.

Set out below are the details of the Land and the Properties:

The Land

The Land is located at Heping South Street East (Sport Category) with land plot number 2007-024, Heping District, being one of the prime commercial/residential areas in Shenyang, and has a site area of approximately 153,696 sq.m. The Land also enjoys a number of scenic points in Shenyang, including the South Lake Park and the Northeastern University of Shenyang (in the eastern area), the Shenyang Canal (the northern area) and the River Wen (the southern area). It is intended that the Land be developed into a residential/commercial complex, comprising high-end low density residential units and commercial centres.

The Properties

The Properties comprise two properties located in Shenyang, the PRC with particulars of which are set out below.

(i) Shu Xiang Men Di

This property is a residential estate located at 鐵西區愛工南街11號 (11 Ai Gong Nan Street, Tie Xi District), Shenyang, the PRC. Shu Xiang Men Di, being erected on a land parcel with site area of approximately 42,710 sq. m., is a residential development completed in 2004. The aggregate gross floor area of the unsold commercial portion, which is held for leasing, and number of car bays, which are held for leasing, of Shu Xiang Men Di amounted to approximately 8,114 sq.m. and 17, respectively, as at 30 June 2007. Based on the Valuation Report, the valuation of the unsold portion of Shu Xiang Men Di amounted to HK\$75 million.

(ii) Appreciate Europe

This property is a residential estate located at 皇姑區長江街134號 (134 Chang Jiang Street, Huang Gu District), Shenyang, the PRC. Appreciate Europe, being erected on a land parcel with site area of approximately 94,872 sq.m., is a residential development completed in 2006 and comprises residential units, commercial units and car bays. The aggregate gross floor area of unsold residential portion, which is held for sale, and number of car bays, which are held for leasing, of Appreciate Europe amounted to approximately 19,791 sq.m. and 315, respectively, as at 30 June 2007. Based on the Valuation Report, the valuation of the unsold portion of Appreciation of Europe amounted to HK\$91 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is an integrated property developer and is primarily engaged in the development and sale of residential and commercial properties in Shanghai and Shenyang with a specific focus on the middle to high-end residential properties, including Long Island Oasis Garden and Cedar Oasis Garden, Lakefront Oasis Garden, Rich-Gate Oasis Garden, Skyway Oasis Garden, Albany Oasis Garden and Skyway Landis Hotel and Shenyang Rich-Gate.

The executive and non-executive Directors consider that Shenyang has a number of advantages in terms of potential for property development, such as (i) the convenience of transportation by way of road, railway, air or sea; (ii) being adjacent to a number of major cities; and (iii) being located in the district around the Bohai Economic Circular that in the view of the executive and non-executive Directors has most potential in growth. In addition, the real estate industry in Shenyang is still in its early phase of rapid growth, as evidenced by the increase in the market demand which lead to a steady increase in property price. Accordingly, the executive and non-executive Directors considered that the Group's further expansion in Shenyang, being the first city for the Group to implement its geographical expansion strategy beyond Shanghai, and the Acquisition are in line with the Group's corporate development strategy.

The audited consolidated cash and bank balances of the Group amounted to approximately HK\$1,025.9 million as of 31 December 2006, which would be insufficient for the payment of the Consideration before taking into account the capital commitment of the Group to other real estate projects and the Land. In addition, the Directors consider that opportunity for the acquisition of the Land with prime location may be taken up by other parties if the relevant sale and purchase agreement is not entered into in a prompt manner. By having the Vendor, being the controlling Shareholder, obtains the relevant land title as soon as possible, the Vendor will be able to secure the acquisition opportunity and to subsequently provide the Company with an opportunity to participate in the future development of the Land. Under the circumstances, the issue of the Consideration Shares for the Acquisition would allow the Company to retain its working capital for the future development of the Land and other property development projects of the Group, which in turn will enhance the future financial performance of the Group.

Having considered the above, together with the facts that (i) the Acquisition will allow the Group to secure a real estate development project located at the prime area of Shenyang, thus allowing the Group to enjoy the continuous growth in the real estate market of Shenyang; (ii) the Acquisition will increase the Company's total land reserve by 27.9% in terms of total floor area or its land reserve outside Shanghai by approximately 48.5%; (iii) the arrangement under the Acquisition is for the purpose of facilitating and securing the Company's future development in Shenyang and it is not the intention of the Vendor to benefit from the Acquisition; and (iv) the current cash and bank balance of the Group, the Directors (excluding the non-executive Directors and the independent non-executive Directors who will express their opinion on the Acquisition after receiving the advice from the Independent Financial Adviser) consider that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Group and the Shareholders as a whole.

SHAREHOLDING AND GROUP STRUCTURE BEFORE AND AFTER THE ACQUISITION

Shareholding Structure

The shareholding structure of the Company as at the date of this announcement and immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares between the date of this announcement and Completion) is summarized as follows:

	As at the date of this announcement		Immediately after the Completion	
	No. of Shares	Approximate %	No. of Shares	Approximate %
The Vendor (Note 1)	676,545,379	30.59	1,202,861,168	43.93
<i>The shareholders of the Vendor (Note 2)</i>				
– Mr. Shi Jian Dong	2,147	0.00	2,147	0.00
– Mr. Sze Sin Chi	2,147	0.00	2,147	0.00
– Mr. Chen Zheng Liang	2,147	0.00	2,147	0.00
<i>The Directors:</i>				
– Mr. Shi Jian and his spouse (Note 3)	2,078,929	0.09	2,078,929	0.08
– Mr. Li Yao Min	2,147	0.00	2,147	0.00
– Mr. Yu Hai Sheng	1,065,914	0.05	1,065,914	0.04
Other public Shareholders	1,531,829,522	69.27	1,531,829,522	55.95
Total	2,211,528,332	100.00	2,737,844,121	100.00
<i>Subtotal of the Vendor and the concert parties acting with it (Note 4)</i>	679,696,663	30.73	1,206,012,452	44.05

Notes: 1. The Vendor is mainly held as to 32% by Mr. Shi Jian, 30% by Md. Si Xiao Dong, the spouse of Mr. Shi Jian, 5% by Mr. Li Yao Min, 5% by Mr. Yu Hai Sheng and 1% by Mr. Jiang Xu Dong. Each of Mr. Shi Jian, Mr. Li Yao Ming, Mr. Yu Hai Sheng and Mr. Jiang Xu Dong is a Director. The other shareholders of the Vendor include relatives of Mr. Shi Jian as well as unrelated individuals.

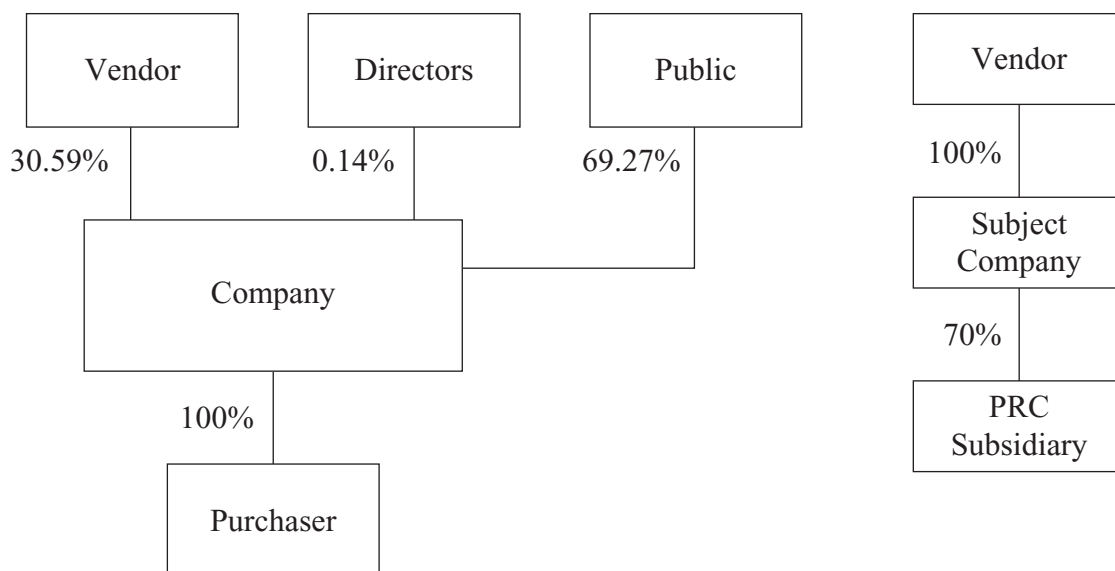
2. Both Mr. Shi Jian Dong and Mr. Sze Sin Chi are close relatives of Mr. Shi Jian, a Director and Mr. Chen Zheng Liang is a shareholder of but not a party acting in concert with the Vendor.

3. The number of Shares held by Mr. Shi Jian includes those held by Md. Si Xiao Dong.

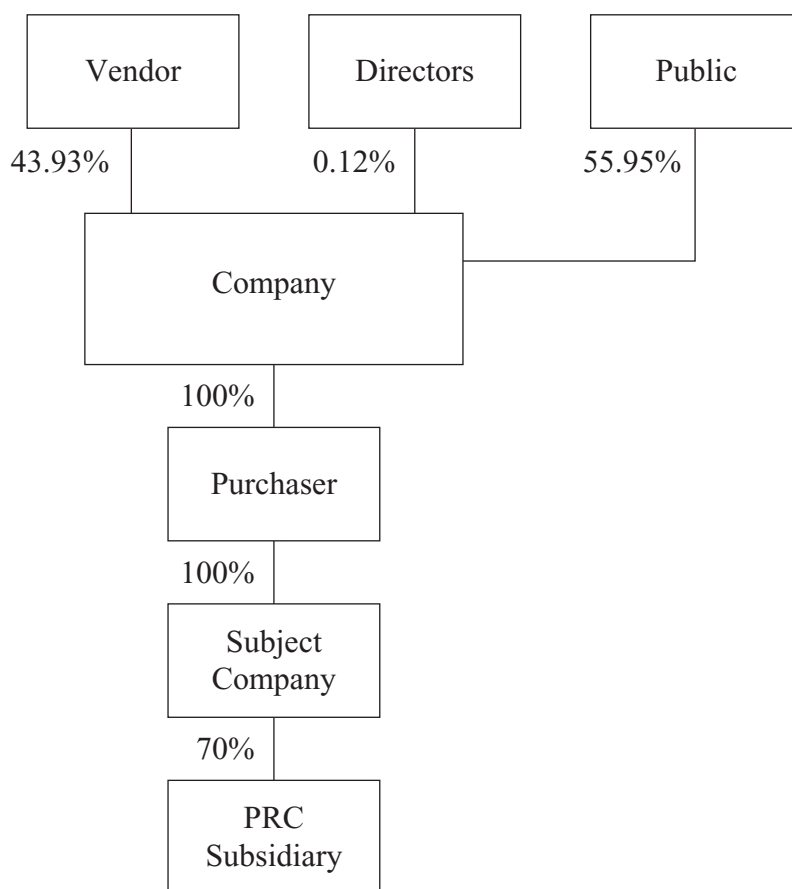
4. The parties acting in concert with the Vendor comprise Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong and Mr. Sze Sin Chi.

Group Structure

Simplified structure regarding the Group and the Subject Group as at the date of this announcement



Simplified structure regarding the Group and the Subject Group immediately after the Acquisition



IMPLICATION OF THE LISTING RULES AND THE TAKEOVERS CODE

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules.

As the Vendor is a controlling Shareholder and thus a connected person of the Company under the Listing Rules, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and independent shareholders' approval requirements by way of a poll at the SGM under the Listing Rules. Accordingly, the Vendor, Mr. Shi Jian and Md. Si Xiao Dong, spouse of Mr. Shi Jian, who altogether hold approximately 30.68% direct interest in the Company, Mr. Yu Hai Sheng, who holds approximately 0.05% direct interest in the Company, and each of Mr. Li Yao Min, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang who respectively holds approximately 0.0001% direct interest in the Company (where Mr. Shi Jian and Mr. Li Yao Min are the shareholders and directors of both the Vendor and the Company, Mr. Yu Hai Sheng is a shareholder of the Vendor and a Director, Md. Si Xiao Dong and Mr. Shi Jian Dong are shareholders and directors of the Vendor, Mr. Sze Sin Chi and Mr. Chen Zheng Liang are shareholders of the Vendor), and their respective associates will abstain from voting at the SGM in respect of the resolutions for approving the Acquisition and the issue of the Consideration Shares. The Directors have confirmed that save for the above, no other Shareholders are interested in the Acquisition.

As Completion and the issue of the Consideration Shares would result in the Vendor and parties acting in concert with it acquiring more than 2% of the voting rights of the Company (increasing from approximately 30.73% to 44.05% assuming there is no change in shareholding of the Vendor and its concert parties in the Company and that no Shares will be issued or repurchased between the date of the Acquisition Agreement and Completion) within the 12-month period immediately preceding the Completion Date, the Vendor and parties acting in concert with it would be obliged to make a mandatory offer for all the securities of the Company not already owned or agreed to be acquired by them pursuant to the Takeovers Code.

The Vendor will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to, among others, the approval of the Independent Shareholders by way of poll at the SGM. The Vendor has confirmed that it and the parties acting in concert with it have not acquired any voting rights or securities that are convertible into Shares with voting rights in the Company in the six months prior to the Last Trading Date and has undertaken that it and parties acting in concert with it will not (a) acquire or dispose of any voting rights in the Company prior to Completion, (b) acquire or dispose of or enter into any agreement to acquire or dispose of any voting rights in the Company from a person who is a Director or substantial Shareholder within six months after the SGM. Each shareholder of the Vendor has also confirmed that it has not acquired any voting rights in the Company in the six months prior to the Last Trading Date and has undertaken that it will not (a) acquire or dispose of any voting rights in the Company prior to Completion or (b) acquire or dispose of or enter into any agreement to acquire or dispose of any voting rights in the Company from a person who is a Director or substantial Shareholder within six months after the SGM. The Vendor and parties acting in concert with it, their respective associates and those involved or interested in the Acquisition and the Whitewash Waiver (including Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong,

Mr. Sze Sin Chi and Mr. Chen Zheng Liang) will abstain from voting at the SGM in respect of the resolution for approving the Whitewash Waiver.

As at the date of this announcement, the Company, except for the outstanding convertible bonds in the principal amount of HK\$43.50 million, which are convertible into 32,222,222 Shares, does not have any options, warrants or convertible securities in issue, and none of the Vendor or its shareholders or any persons acting in concert with it owns any outstanding options, warrants, or any securities that are convertible into Shares; nor has any arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Vendor and which might be material to the transactions contemplated under the Acquisition Agreement, or any agreements or arrangements to which the Vendor is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Acquisition Agreement.

INDEPENDENT BOARD COMMITTEES AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash IBC comprising all the non-executive Directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong, and all the independent non-executive Directors, namely Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E Hock Yap, is established to advise the Independent Shareholders in respect of the Whitewash Waiver and the transactions under the Acquisition Agreement. In addition, under Rule 13.39(6)(a) of the Listing Rules, the Acquisition IBC comprising all the independent non-executive Directors is formed to advise the Independent Shareholders in respect to the transactions under the Acquisition Agreement. No member of the Whitewash IBC or the Acquisition IBC has any interest or involvement in the transactions contemplated under the Acquisition Agreement or the Whitewash Waiver. The Company has appointed, with the respective approvals of the Whitewash IBC and the Acquisition IBC, the Independent Financial Adviser to advise the Whitewash IBC, the Acquisition IBC and the Independent Shareholders on the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver.

GENERAL

A circular containing, among other things, further details relating to (i) the Acquisition; (ii) the issue of the Consideration Shares; (iii) the Whitewash Waiver; (iv) the advice of the Independent Financial Adviser to the Whitewash IBC, the Acquisition IBC and the Independent Shareholders in respect of the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver; (v) the recommendations of the Whitewash IBC and the Acquisition IBC to the Independent Shareholders in respect of the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver; (vi) the notice convening the SGM; and (iv) other information as required under the Listing Rules and the Takeovers Code, will be despatched to the Shareholders as soon as practicable in accordance with the Takeovers Code.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 2:30 p.m. on 16 August 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 20 August 2007.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 17 August 2007 entered into between the Vendor, the Purchaser and the Company pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Share
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“BVI”	British Virgin Islands
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition Agreement
“Completion Date”	the third business day after all the Conditions have been satisfied or waived (as the case may be) or such other date as may be agreed between the parties to the Acquisition Agreement
“Conditions”	the conditions precedent to the Completion, as more particularly set out under the section headed “Conditions to Completion” of this announcement
“Consideration”	the consideration for the Acquisition in the amount of HK\$1,600 million
“Consideration Shares”	526,315,789 new Shares to be issued by the Company to the Vendor as consideration for the Sale Share pursuant to the Acquisition Agreement
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Shareholders”	Shareholders except for (i) the Vendor, the parties acting with concert with it and their respective associates and (ii) those who are interested in, or involved in the Acquisition and the Whitewash Waiver
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected or acting in concert with the Company and its connected persons and the Vendor and its Shareholders
“Independent Valuer”	BMI Appraisals Limited, the independent valuer appointed by the Company for the valuation of the Land and the Properties
“Issue Price”	HK\$3.04 per Share, being the issue price per Share of the Consideration Shares pursuant to the terms of the Acquisition Agreement
“Land”	the plot of land located at No. 2007-024 Heping South Street East, Heping District, Shenyang, the PRC
“Last Trading Day”	16 August 2007, being the last trading day before suspension of trading in the Shares pending the release of this announcement
“Last Full Trading Day”	15 August 2007, being the last full trading day before suspension of trading in the Shares pending the release of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2007 or such later date as may be agreed between the parties to the Acquisition Agreement
“Mr. Wong”	Mr. Wong Chun Keung, an Independent Third Party
“parties acting in concert”	has the meaning ascribed to it under the Takeovers Code
“PRC Audit Report 2005”	the qualified audited financial report of the PRC Subsidiary for the year ended 31 December 2005 prepared under PRC accounting standards, which gave a true and fair view of the PRC Subsidiary’s financial position and operating results except for the limitation on sending accounts receivable confirmation
“PRC Audit Report 2006”	the qualified audited financial report of the PRC Subsidiary for the year ended 31 December 2006 prepared under PRC accounting standards, which gave a true and fair view of the PRC Subsidiary’s financial position and operating results except for the limitation on sending bank confirmation

“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“PRC Subsidiary”	遼寧高校後勤集團房地產開發有限公司 (“Liaoning High School Support Group Property Development Limited”), a limited liability company established in the PRC which is owned as to 70% by the Subject Company and the remaining 30% by an Independent Third Party
“Properties”	the two residential estates of the PRC Subsidiary known as 書香門第 (“Shu Xiang Men Di”) and 建賞歐洲 (“Appreciate Europe”), excluding any units sold on or before 30 June 2007
“Purchase Price”	the acquisition of the Land at an amount of RMB1,192,680,960 (equivalent to approximately HK\$1,228,461,389) comprising, but not limited to, the land premium and the estimated relocation cost for relocating existing residents on the Land
“Purchaser”	Goldfull Enterprises Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Sale Share”	1 share of US\$1.00 in the capital of the Subject Company, representing the entire issued share capital of the Subject Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver
“Shareholders”	holders of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Company”	Konmen Investment Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Vendor as at the date of the Acquisition Agreement
“Subject Group”	the Subject Company and the PRC Subsidiary
“Takeovers Code”	The Code on Takeovers and Mergers
“Valuation”	the aggregate valuation of HK\$2,301 million of the Land and the Properties as indicated in the Valuation Report

“Valuation Report”	the draft valuation report prepared by the Independent Valuer on the Land and the Properties as at 31 July 2007
“Vendor”	Good Time Resources Limited, a company incorporated in the BVI and a controlling Shareholder
“Vendor Acquisition”	the acquisition of the entire issued share capital of the Subject Company by the Vendor pursuant to the Vendor Acquisition Agreement
“Vendor Acquisition Agreement”	the sale and purchase agreement dated 17 August 2007 entered into between Mr. Wong and the Vendor in relation to the purchase by the Vendor of the entire issued share capital of the Subject Company owned by Mr. Wong
“Vendor Consideration”	the consideration of HK\$1,600 million for the Vendor Acquisition, being the same as the Consideration
“Whitewash Waiver”	a waiver in respect of the obligation on the part of the Vendor and parties acting in concert with it to make a mandatory general offer to the Shareholders for all the securities of the Company not already owned or agreed to be acquired by the Vendor and parties acting in concert with it as a result of the taking up of the Consideration Shares under the Acquisition in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
sq.m.	square metres
“%”	per cent.

By Order of the Board
SRE Group Limited
Lee Wai Yee
Company Secretary

Hong Kong, 17 August 2007

As at the date hereof, the board of Directors comprises nine directors, four of whom are executive Directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Jiang Xu Dong; two of whom are non-executive directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong and three of whom are independent non-executive Directors, namely Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E Hock Yap.

English names of the PRC established companies and the Properties in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this announcement, RMB has been converted to HK\$ at the rate of RMB1 = HK\$1.03 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

The Directors jointly and severally accept full responsibility for the accuracy of the information in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

** For identification purpose only*