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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
AND APPLICATION FOR WHITEWASH WAIVER**

Financial Adviser to the Company



KBC Bank N.V. Hong Kong Branch

THE ACQUISITION

On 21 January 2010, the Vendor, the Purchaser and the Company entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to purchase the Sale Share and the Loan from the Vendor for the aggregate consideration of HK\$1,750,000,000, which will be satisfied partly by the Purchaser paying HK\$373,000,000 in cash to the Vendor at Completion and partly by the Company allotting and issuing the Consideration Shares credited as fully paid-up to the Vendor at Completion at the Issue Price of HK\$0.81 per Share. The Consideration Shares 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 (a) approximately 47.17% of the issued share capital of the Company as at the date of the Acquisition Agreement and (b) approximately 32.05% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, 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 the Acquisition Agreement and Completion. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

* For identification purpose only

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules. Further, 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. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 2.5% and the consideration for the Acquisition is more than HK\$10,000,000, the Acquisition is also subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules. Mr. Shi Jian and Mr. Li Yao Min are the shareholders and directors of the Vendor and the Company, Mr. Yu Hai Sheng is a shareholder of the Vendor, and Md. Si Xiao Dong is the spouse of Mr. Shi Jian and both a shareholder and director of the Vendor. Accordingly, the Vendor, Mr. Shi Jian and Md. Si Xiao Dong, who together hold approximately 30.54% interest in the Company (without taking into account the Lent Shares), Mr. Yu Hai Sheng, who has approximately 0.03% interest in the Company, and Mr. Li Yao Min who has approximately 0.00006% interest in the Company 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 so far as they are aware, save for the above, no other Shareholder is interested in the Acquisition.

THE WHITEWASH WAIVER

As at the date of the Acquisition Agreement, the Vendor holds 1,098,400,938 Shares, and together with the Lent Shares, the Vendor is interested in 1,248,400,938 Shares. Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min and Mr. Yu Hai Sheng, being persons acting in concert with the Vendor, hold 2,076,887 Shares, 2,220 Shares, 2,220 Shares and 1,065,987 Shares, respectively. Therefore, the Vendor and persons acting in concert with it are interested in a total of 1,251,548,252 Shares (or 1,101,548,252 Shares if excluding the Lent Shares), representing approximately 34.73% (or 30.57% if excluding the Lent Shares) of the issued share capital of the Company as at the date of the Acquisition Agreement. As the issue of the Consideration Shares would result in the Vendor and the persons acting in concert with it increasing their interests in the voting rights of the Company by more than 2% within the 12-month period immediately preceding the Completion Date from approximately 34.73% to approximately 55.65% (assuming that no Shares will be issued between the date of the Acquisition Agreement and Completion), the Vendor and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged upon Completion 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 Independent Shareholders' approval by way of poll at the SGM. The Vendor and the persons acting in concert with it, their respective associates and those involved or interested in the Acquisition and the Whitewash Waiver (including Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng and Md. Si Xiao Dong) shall abstain from voting at the SGM in respect of the resolution for approving the Whitewash Waiver.

After Completion, the aggregate shareholding of the Vendor and persons acting in concert with it will exceed 50% of the issued share capital of the Company as enlarged by the Consideration Shares. Accordingly, if the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, any further acquisition of Shares by the Vendor and persons acting in concert with it after the Completion Date will not incur any further obligation under Rule 26 of the Takeovers Code to make a general offer.

INDEPENDENT BOARD COMMITTEES AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, an independent board committee (the “Acquisition IBC”) comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the transactions under the Acquisition Agreement. In addition, pursuant to the Takeovers Code, an independent board committee (the “Whitewash IBC”) comprising one of the non-executive Directors, namely Mr. Jin Bing Rong, and all the independent non-executive Directors, namely Mr. Jiang Xie Fu, Mr. E Hock Yap and Mr. Pan Long Qing has been formed to advise the Independent Shareholders in respect of the Whitewash Waiver. Since Mr. Cheung Wing Yui, the other non-executive Director, is a consultant of Messrs. Woo, Kwan, Lee & Lo, which is the Hong Kong legal advisers to the Company in relation to the Acquisition and the Whitewash Waiver, Mr. Cheung Wing Yui has not been appointed as a member of the Whitewash IBC. No member of the Acquisition IBC nor the Whitewash 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 Acquisition IBC and the Whitewash IBC, Ample Capital as the independent financial adviser to advise the Acquisition IBC, the Whitewash IBC and the Independent Shareholders on the Acquisition and the issue of the Consideration Shares and the Whitewash Waiver.

GENERAL

A circular containing, among other things, further details relating to (i) the Acquisition and the issue of the Consideration Shares; (ii) the Whitewash Waiver; (iii) the advice of Ample Capital to the Acquisition IBC, the Whitewash IBC and the Independent Shareholders in respect of the Acquisition and the issue of the Consideration Shares and the Whitewash Waiver; (iv) the recommendations of the Acquisition IBC and the Whitewash IBC to the Independent Shareholders in respect of the Acquisition and the issue of the Consideration Shares and the Whitewash Waiver; (v) the valuation report on the Retail Property; (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.

THE ACQUISITION AGREEMENT

Date

21 January 2010

Parties to the Acquisition Agreement

- (i) SRE Investment Holding Limited, the controlling Shareholder, as the vendor;
- (ii) Sinopower Investment Limited, a wholly-owned subsidiary of the Company, as the purchaser; and
- (iii) the Company.

As at the date of the Acquisition Agreement, the Vendor is the controlling Shareholder holding 1,098,400,938 Shares, and together with the Lent Shares is interested in 1,248,400,938 Shares, representing approximately 30.48 % and 34.64% respectively of the 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 purchase the Sale Share and the Loan from the Vendor.

The Vendor had on 21 January 2010 entered into the Vendor Acquisition Agreement to acquire the Sale Share and the Loan from Md. Li, the present sole shareholder of the Subject Company, at the total consideration of HK\$1,750,000,000 (the “Vendor Consideration”) of which HK\$1,627,940,147.80 is the consideration for the Sale Share and HK\$122,059,852.20 is the consideration for the Loan. The Vendor Consideration will be paid in cash by 3 installments with 10% of the Vendor Consideration to be paid within 45 days from the date of the Vendor Acquisition Agreement, 60% of the Vendor Consideration to be paid within 1 year from completion of the Vendor Acquisition Agreement, and the balance of 30% of the Vendor Consideration to be paid within 1.5 years from completion of the Vendor Acquisition Agreement. Completion of the Acquisition Agreement is subject to, among others, completion of the Vendor Acquisition Agreement. Following completion of the Vendor Acquisition Agreement, the Sale Share and the Loan will be sold by the Vendor to the Purchaser pursuant to the Acquisition Agreement. Md. Li is not a Shareholder and has not acquired or disposed of or entered into any agreement to acquire or dispose of any voting rights in the Company within the six months prior to the date of this announcement.

Information on the Subject Company

The Subject Company is an investment holding company incorporated in the BVI on 25 November 2009. As at the date of the Acquisition Agreement, the principal asset of the Subject Company is its 100% interest in the HK Subsidiary which in turn holds approximately 49% equity interest in Huarui Asset Management and its principal activity is the holding of the entire issued share capital of the HK Subsidiary.

Pursuant to Rules 14.58(6) and 14.58(7) of the Listing Rules, the Company is required to disclose the value of the assets which are the subject of the transaction as well as the profits attributable to such assets for the two financial years immediately preceding the transaction in this announcement. However, as only unaudited and unpublished figures in respect of the asset value of, and the net profits attributed

to, the Subject Company for the year ended 31 December 2009 are currently available, the Company has applied to the Stock Exchange for waiver from strict compliance with Rules 14.58(6) and 14.58(7) of the Listing Rules to allow the exclusion of such figures from this announcement (the “**Listing Rules Waiver**”) for reason that if such unaudited and unpublished figures are to be disclosed in this announcement, they will constitute profit forecasts within the meaning of Rule 10 of the Takeovers Code and will need to be reported on by an auditor or financial adviser; and it will be burdensome on the Company to withhold the issue of this announcement until such report is available.

The Stock Exchange has granted the Listing Rules Waiver to the Company on condition that a further announcement containing the information required under Rules 14.58(6) and 14.58(7) of the Listing Rules will be made at the time of the despatch of the circular by the Company in relation to the Acquisition, and that such financial information will also be included in the said circular.

Information on the HK Subsidiary

The HK Subsidiary is an investment holding company incorporated in Hong Kong on 18 May 2009. As at the date of the Acquisition Agreement, the principal asset of the HK Subsidiary is its 49% equity interest in Huarui Asset Management and its principal activity is the holding of such interest in Huarui Asset Management.

Information on Huarui Asset Management

Huarui Asset Management is a limited liability company established in the PRC on 30 October 2007 and is a 51% owned subsidiary of the Company with the remaining 49% being owned by the HK Subsidiary. As at the date of the Acquisition Agreement, the principal asset of Huarui Asset Management is the Retail Property and its principal activity is the operation and management of the Retail Property.

Based on the audited financial statements of Huarui Asset Management prepared under PRC Generally Accepted Accounting Principles, Huarui Asset Management recorded audited net asset value of approximately RMB55.60 million (approximately HK\$63.11 million) as at 31 December 2008. Huarui Asset Management recorded an audited loss before and after tax of approximately RMB24.39 million (approximately HK\$27.68 million) and approximately RMB24.39 million (approximately HK\$27.68 million) respectively for the year ended 31 December 2008.

Information on the Retail Property

The Retail Property is located at the Western part of Huigong Plaza, Shenhe District, Shenyang, Liaoning Province, the PRC. The Retail Property comprises a shopping mall, namely Rich Gate Shopping Mall (華府天地購物中心) with a gross floor area of approximately 245,252 sq.m. The first basement level and first to fifth floors of Rich Gate Shopping Mall are occupied for retail use whereas car parking spaces were situated at the second basement level and the first floor of Rich Gate Shopping Mall.

The Consideration and the Consideration Shares

The Consideration is the same as the Vendor Consideration and amounts to HK\$1,750,000,000, of which HK\$1,627,940,147.80 is the consideration for the Sale Share and HK\$122,059,852.20 is the consideration for the Loan. The Consideration will be satisfied partly by the Purchaser paying HK\$373,000,000 to the Vendor in cash at Completion and partly by the Company allotting and issuing the Consideration Shares credited as fully paid up to the Vendor at Completion at the Issue Price of HK\$0.81 per Share. The Issue Price represents:

- (i) a premium of approximately 1.25% over the closing price of HK\$0.80 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 1.25% over the average closing price of HK\$0.80 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 0.37% to the average closing price of HK\$0.813 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 6.77% to the average closing price of approximately HK\$0.869 per Share as quoted on the Stock Exchange for the last 50 trading days up to and including the Last Trading Day; and
- (v) a discount of approximately 54.90% over the Group's consolidated audited net asset per Share (excluding minority interest) as at 31 December 2008 of approximately HK\$1.796 (based on a total of 3,603,881,194 Shares as at the date of the Acquisition Agreement and the audited consolidated net asset value of approximately HK\$6,472.59 million as at 31 December 2008).

As at the date of the Acquisition Agreement, there were 3,603,881,194 Shares in issue and the Consideration Shares represent:

- (i) approximately 47.17% of the issued share capital of the Company as at the date of the Acquisition Agreement; and
- (ii) approximately 32.05% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, 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 the Acquisition Agreement and Completion.

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.

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 geographical location of the Retail Property, (iii) the valuation of the Retail Property as at 31 December 2009 as shown in a draft valuation report prepared by BMI Appraisals Limited, an independent valuer, and (iv) the market potential of the real estate and the retail sector of Shenyang, the PRC.

Conditions to Completion

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:—

- (i) the passing of a resolution at the SGM 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 granting the Whitewash Waiver;
- (iv) completion of the Vendor Acquisition Agreement;
- (v) the Purchaser undertaking and completing a due diligence investigation 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 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; and
- (vii) the warranties given by the Vendor under the Acquisition Agreement remaining true, accurate and not misleading in all material respects.

If any of the above Conditions is not fulfilled or waived by the Purchaser (other than the Conditions set out in (i) to (iv) and (vi) above which cannot be waived) by no later than 4:00 p.m. on 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 breaches of the Acquisition Agreement.

Purchaser's right to terminate the Acquisition Agreement

The Purchaser may on or before the Completion Date in its absolute discretion by notice in writing to the Vendor terminate the Acquisition Agreement forthwith if at any time prior to Completion:

- (a) the Vendor commits any breach of or omits to observe any of its obligations or undertakings under the Acquisition Agreement;
- (b) any creditor makes a valid demand for repayment or payment of any indebtedness of any member of the Subject Group or in respect of which any member of the Subject Group is liable prior to its stated maturity which demand can be expected to have a Material Adverse Change (or Effect);
- (c) the Vendor fails to observe certain provisions in the Acquisition Agreement relating to conduct of the business of the Subject Group prior to Completion;
- (d) any member of the Subject Group shall sustain any loss or damage which constitutes a Material Adverse Change (or Effect); or
- (e) any petition is presented for the winding up or liquidation of any member of the Subject Group or any member of the Subject Group makes any composition or arrangement with its creditors or enters into a scheme of the Subject Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Subject Group or anything analogous thereto occurs and have not been withdrawn within 14 days thereof in respect of any member of the Subject Group which can be expected to have a Material Adverse Change (or Effect).

Completion

Subject to and conditional upon fulfillment or waiver (as the case may be) of all the Conditions, Completion shall take place on the Completion Date.

After Completion, the Subject Company, the HK Subsidiary and Huarui Asset Management will become wholly-owned subsidiaries of the Company.

Indemnity on tax

Pursuant to the Acquisition Agreement, the Vendor has undertaken to indemnify the Purchaser, for itself and as trustee for each member of the Subject Group, of:

- (a) any tax liabilities which may be chargeable by any PRC tax authorities on the Purchaser and/or any

member of the Subject Group or which any PRC tax authorities may require the Purchaser and/or any member of the Subject Group to pay in connection with the sale of the Sale Share and the Loan by Md. Li to the Vendor pursuant to the Vendor Acquisition Agreement and/or the sale of the Sale Share and the Loan by the Vendor to the Purchaser pursuant to the Acquisition Agreement; and

- (b) 49% of any income tax liabilities and land appreciation tax liabilities of Huarui Asset Management which may arise as a result of the disposal by Huarui Asset Management of the whole or any part of the Retail Property within the period of 5 years from the Completion Date, provided that the aggregate amount payable by the Vendor pursuant to the indemnity in this paragraph (b) shall not exceed an amount equal to 49% of the deferred tax liabilities of Huarui Asset Management as shown in the audited financial statements of Huarui Asset Management for the year ended 31 December 2009, which audited financial statements shall be prepared in accordance with Hong Kong Financial Reporting Standards.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Given its large scale and prime location in the emerging Shenyang Golden Corridor business circle and its good potential for growth in both rental rates and occupancy, the Board is of the view that the Retail Property is of strategic importance to the Group's commercial property portfolio and the Acquisition will enable the Group to gain full control of the management and operation of the Rich Gate Shopping Mall. The Golden Corridor business circle will be developed into a central business district in the city centre of Shenyang under the Golden Corridor project initiated by the Shenyang Municipal Government. Upon Completion, Huarui Asset Management (and also the Retail Property) will be wholly-owned by the Company with its entire financial results to be consolidated into the Company's consolidated financial statements and, therefore, the Acquisition is expected to bring about positive impact on the Group's future business and financial performance (including, among others, stable and strong cash inflow from leasing of the Retail Property and its potential capital appreciation).

Since the Group's principal business of property development is of capital intensive nature and the Group's cash and bank balances amounted to only approximately HK\$1.64 billion as at 30 June 2009, the Directors consider that it would be commercially prudent for the Group to conduct acquisitions without using much cash in order to retain sufficient working capital for its existing and future property development projects. As such, having the Vendor, being the controlling Shareholder, acquiring the remaining 49% interest of the Retail Property through the Vendor Acquisition and subsequently selling such interest to the Group at the same consideration pursuant to the Acquisition Agreement will not only enable the Group to seize the opportunity to fully benefit from the financial performance of the Retail Property but also allow the Company to preserve its working capital by completing the Acquisition by way of issuance of the Consideration Shares to settle around 80% of the Consideration.

Given the above, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice from Ample Capital) consider that the Acquisition and the Acquisition Agreement are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Group and the Shareholders as a whole.

SHAREHOLDING STRUCTURES OF THE COMPANY BEFORE AND AFTER THE ACQUISITION

The shareholding structures of the Company as at the date of the Acquisition Agreement 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 the Acquisition Agreement and Completion) are summarized as follows:

	As at the date of the Acquisition Agreement		Immediately after the Completion	
	No. of Shares	Approx. %	No. of Shares	Approx. %
The Vendor (Note 1)	1,248,400,938	34.64	2,948,400,938	55.59
	(Note 2)		(Note 3)	
The Directors: (Note 4)				
– Mr. Shi Jian	2,076,887	0.06	2,076,887	0.04
– Mr. Li Yao Min	2,220	0.00006	2,220	0.00004
– Mr. Yu Hai Sheng	1,065,987	0.03	1,065,987	0.02
Md. Si Xiao Dong	2,220	0.00006	2,220	0.00004
Sub-total of the Vendor and persons acting in concert with it (Note 5)	1,251,548,252	34.73	2,951,548,252	55.65
Other public Shareholders	2,352,332,942	65.27	2,352,332,942	44.35
Total	3,603,881,194	100	5,303,881,194	100

Notes:

1. The shareholders of the Vendor consist of Mr. Shi Jian (holding 33% interest), Md. Si Xiao Dong (holding 30% interest), the spouse of Mr. Shi Jian, Mr. Li Yao Min (holding 5% interest), Mr. Yu Hai Sheng (holding 5% interest), Mr. Jiang Xu Dong (holding 2% interest), Mr. Yue Wai Leung, Stan (holding 2% interest), other relatives of Mr. Shi Jian and/or Md. Si Xiao Dong (holding in aggregate 13% interest) and unrelated parties (holding in aggregate 10% interest). Each of Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Yue Wai Leung, Stan is a Director. Save as set out in the table above, no other shareholder of the Vendor holds any Shares as at the date of this announcement.
2. These Shares comprise of 1,098,400,938 Shares held by the Vendor and the Lent Shares (being 150,000,000 Shares, representing approximately 4.16% of the issued share capital of the Company as at the date of the Acquisition Agreement). The Vendor has no control over the voting rights of the Lent Shares and according to the relevant stock borrow agreements relating to the Lent Shares, the borrowers of the Lent Shares have no obligations to exercise the voting rights attached to the Lent Shares in accordance with the instructions of the Vendor.

3. *These 2,948,400,938 Shares include the Lent Shares (being 150,000,000 Shares, representing approximately 2.83% of the issued share capital of the Company immediately after Completion).*
4. *Mr. Shi Jian and Mr. Li Yao Min are both shareholders and directors of the Vendor and Mr. Yu Hai Sheng is a shareholder of the Vendor.*
5. *The persons acting in concert with the Vendor who are Shareholders comprise Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min and Mr. Yu Hai Sheng.*

IMPLICATION OF THE LISTING RULES AND THE TAKEOVERS CODE

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules. Further, 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. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 2.5% and the consideration for the Acquisition is more than HK\$10,000,000, the Acquisition is also subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules. Mr. Shi Jian and Mr. Li Yao Min are the shareholders and directors of the Vendor and the Company, Mr. Yu Hai Sheng is a shareholder of the Vendor, and Md. Si Xiao Dong is the spouse of Mr. Shi Jian and both a shareholder and director of the Vendor. Accordingly, the Vendor, Mr. Shi Jian and Md. Si Xiao Dong, who together hold approximately 30.54% interest in the Company (without taking into account the Lent Shares), Mr. Yu Hai Sheng, who has approximately 0.03% interest in the Company, and Mr. Li Yao Min who has approximately 0.00006% interest in the Company 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 so far as they are aware, save for the above, no other Shareholder is interested in the Acquisition.

As at the date of the Acquisition Agreement, the Vendor holds 1,098,400,938 Shares, and together with the Lent Shares, the Vendor is interested in 1,248,400,938 Shares. Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min and Mr. Yu Hai Sheng, being persons acting in concert with the Vendor, hold 2,076,887 Shares, 2,220 Shares, 2,220 Shares and 1,065,987 Shares, respectively. Therefore, the Vendor and persons acting in concert with it are interested in a total of 1,251,548,252 Shares (or 1,101,548,252 Shares if excluding the Lent Shares), representing approximately 34.73% (or 30.57% if excluding the Lent Shares) of the issued share capital of the Company as at the date of the Acquisition Agreement. As the issue of the Consideration Shares would result in the Vendor and the persons acting in concert with it increasing their interests in the voting rights of the Company by more than 2% within the 12-month period immediately preceding the Completion Date from approximately 34.73% to approximately 55.65% (assuming that no Shares will be issued between the date of the Acquisition Agreement and Completion), the Vendor and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged upon Completion 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 Independent Shareholders' approval by way of poll at the SGM. The Vendor has confirmed that neither it nor any persons acting in concert with it have acquired or disposed of or entered into any agreement to acquire or dispose of any voting rights in the Company within the six months prior to the date of this announcement. The Vendor has also undertaken to the Company's financial adviser that apart from the Acquisition Agreement, neither it nor any persons acting in concert with it will (a) from the date of this announcement until the Completion Date acquire or dispose of or enter into any agreement to acquire or dispose of any voting rights in the Company, and (b) within six months after the SGM, acquire or dispose of or enter into any agreement to acquire or dispose of any voting rights in the Company from or to a person who is a Director or substantial Shareholder. Each director and shareholder of the Vendor has also confirmed that it has not acquired or disposed of or entered into any agreement to acquire or dispose of any voting rights in the Company within the six months prior to the date of this announcement. Each director and shareholder of the Vendor has also undertaken to the Company's financial adviser that apart from the Acquisition Agreement, it will not (a) from the date of this announcement until the Completion Date acquire or dispose of or enter into any agreement to acquire or dispose of any voting rights in the Company, and (b) within six months after the SGM, acquire or dispose of or enter into any agreement to acquire or dispose of any voting rights in the Company from or to a person who is a Director or substantial Shareholder. The Vendor and persons acting in concert with it, their respective associates and those involved or interested in the Acquisition and the Whitewash Waiver (including Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng and Md. Si Xiao Dong) will abstain from voting at the SGM in respect of the resolution for approving the Whitewash Waiver.

After Completion, the aggregate shareholding of the Vendor and persons acting in concert with it will exceed 50% of the issued share capital of the Company as enlarged by the Consideration Shares. Accordingly, if the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, any further acquisition of Shares by the Vendor and persons acting in concert with it after the Completion Date will not incur any further obligation under Rule 26 of the Takeovers Code to make a general offer.

As at the date of this announcement, save for the outstanding Convertible Bonds which are initially convertible into 479,928,280 Shares, the Company 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 or any derivatives in respect of 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 the Whitewash Waiver, 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 or the Whitewash Waiver.

For purposes of facilitating the dealing in the Convertible Bonds by the places of the Convertible Bonds (“CB Investors”), Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch, being the joint bookrunners of the Convertible Bonds, had demanded stock borrowing arrangements with the Vendor, being the controlling Shareholder, for subsequent lending to the CB Investors such that the CB Investors will be able to set up short positions to formulate arbitrage strategies to hedge against price changes in the Shares. Accordingly, the Vendor entered into a stock borrow agreement with each of Credit Suisse Securities (Europe) Limited and Deutsche Bank AG, London Branch (the “Stock Borrowers”) to lend the Lent Shares to the Stock Borrowers. Pursuant to such stock borrow agreements, the Vendor is entitled, following any conversion of the Convertible Bonds, to call for the redelivery by the Borrowers of such number of Lent Shares as is derived by multiplying the number of Shares resulting from such conversion by a certain percentage. In addition, the Vendor is entitled to call for the redelivery by the Borrowers of the Lent Shares at any time after the earlier of (i) the third anniversary of the issue date of the Convertible Bonds and (ii) the date on which the Convertible Bonds have been redeemed in full. Since none of the events referred to above has occurred yet, the Vendor has no right to call for the redelivery of any of the Lent Shares from the Borrowers as at the date of this announcement. Neither of the Stock Borrowers are involved or interested in, or have participated in any negotiations relating to, the Acquisition Agreement or the transactions contemplated thereunder or the Whitewash Waiver.

As at the date of this announcement, save for the lending of the Lent Shares, there are not any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Vendor or any persons acting in concert with it has borrowed or lent.

INDEPENDENT BOARD COMMITTEES AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, an independent board committee (the “Acquisition IBC”) comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the transactions under the Acquisition Agreement. In addition, pursuant to the Takeovers Code, an independent board committee (the “Whitewash IBC”) comprising one of the non-executive Directors, namely Mr. Jin Bing Rong, and all the independent non-executive Directors, namely Mr. Jiang Xie Fu, Mr. E Hock Yap and Mr. Pan Long Qing has been formed to advise the Independent Shareholders in respect of the Whitewash Waiver. Since Mr. Cheung Wing Yui, the other non-executive Director, is a consultant of Messrs. Woo, Kwan, Lee & Lo, which is the Hong Kong legal advisers to the Company in relation to the Acquisition and the Whitewash Waiver, Mr. Cheung Wing Yui has not been appointed as a member of the Whitewash IBC. No member of the Acquisition IBC nor the Whitewash 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 Acquisition IBC and the Whitewash IBC, Ample Capital as the independent financial adviser to advise the Acquisition IBC, the Whitewash IBC and the Independent Shareholders on the Acquisition and the issue of the Consideration Shares and the Whitewash Waiver.

GENERAL

A circular containing, among other things, further details relating to (i) the Acquisition and the issue of the Consideration Shares; (ii) the Whitewash Waiver; (iii) the advice of Ample Capital to the Acquisition IBC, the Whitewash IBC and the Independent Shareholders in respect of the Acquisition and the issue of the Consideration Shares and the Whitewash Waiver; (iv) the recommendations of the Acquisition IBC and the Whitewash IBC to the Independent Shareholders in respect of the Acquisition and the issue of the Consideration Shares and the Whitewash Waiver; (v) the valuation report on the Retail Property prepared by BMI Appraisals Limited; (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.

PRINCIPAL ACTIVITIES OF THE VENDOR, THE PURCHASER AND THE GROUP

The principal activity of the Vendor is investment holding.

The principal activity of the Purchaser is investment holding.

The Group is an integrated property developer and is primarily engaged in the development and sale of residential and commercial properties in Shanghai, Shenyang and Haikou, the PRC, with a specific focus on the middle to high-end residential properties.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Share and the Loan 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 21 January 2010 entered into between the Vendor, the Purchaser and the Company pursuant to which the Purchaser has conditionally agreed to purchase the Sale Share and the Loan from the Vendor
“Ample Capital”	Ample Capital Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Acquisition IBC, the Whitewash IBC and the Independent Shareholders on the Acquisition and the issue of the Consideration Shares and the Whitewash Waiver
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors

“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 tenth business day after all the Conditions have been satisfied or waived (as the case may be) or such other date as may be agreed in writing 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 total consideration for the Acquisition in the amount of HK\$1,750,000,000, of which HK\$1,627,940,147.80 is the consideration for the Sale Share and HK\$122,059,852.20 is the consideration for the Loan
“Consideration Shares”	1,700,000,000 new Shares to be issued by the Company to the Vendor as part of the Consideration pursuant to the Acquisition Agreement
“Convertible Bonds”	the RMB denominated 6% convertible bonds in the principal amount of RMB446,900,000 (approximately HK\$507,300,000) maturing on 23 July 2014 issued by the Company on 24 July 2009, details of which were disclosed in the Company’s announcement dated 29 June 2009
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong from time to time and any delegate of such Executive Director
“Golden Corridor”	a project initiated by the government of the city of Shenyang, the PRC to develop a central business district in the centre of the city of Shenyang
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK Subsidiary”	Perfect Media Holdings Limited, a limited liability company incorporated in Hong Kong which is a wholly-owned subsidiary of the Subject Company

“Huarui Asset Management”	瀋陽華銳世紀資產管理有限公司 (Shenyang Huarui Shiji Asset Management Limited), a limited liability company established in the PRC which is a 51% owned subsidiary of the Company with the remaining 49% equity interest owned by the Subject Company
“Independent Shareholders”	Shareholders other than the Vendor and persons acting in concert with it and any other Shareholders who are involved in, or interested in the Acquisition Agreement and the transactions contemplated thereunder and the Whitewash Waiver
“Issue Price”	HK\$0.81 per Share
“Last Trading Day”	20 January 2010, being the last trading day of the Shares prior to the date of the Acquisition Agreement
“Lent Shares”	150 million Shares lent by the Vendor pursuant to two stock borrow agreements both dated 29 June 2009, of which 75 million Shares were lent to Credit Suisse Securities (Europe) Limited and 75 million Shares were lent to Deutsche Bank AG
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the unsecured, non-interest bearing and repayable on demand loan in the sum of US\$15,648,699 (approximately HK\$122,059,852.20) which is outstanding and owing by the Subject Company to Md. Li as at the date of the Acquisition Agreement and which will upon completion of the Vendor Acquisition Agreement and up to Completion be outstanding and owing by the Subject Company to the Vendor
“Long Stop Date”	21 October 2010 or such later date as may be agreed in writing between the parties to the Acquisition Agreement
“Material Adverse Change (or Effect)”	any change (or effect), the consequence of which is to materially and adversely affect the financial position, business or property, results of operations, business prospects or assets of the Subject Group as a whole
“Md. Li”	Md. Li De E (李德娥), who, save for her indirect interest in Huarui Asset Management through the Subject Company, is independent of and not connected with the Company and its connected persons
“persons acting in concert”	has the meaning given to it under the Takeovers Code
“PRC”	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

“Purchaser”	Sinopower Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Retail Property”	the property known as Rich Gate Shopping Mall (華府天地購物中心) together with the corresponding land use rights in respect of Rich Gate Shopping Mall
“Sale Share”	1 share of US\$1 in the Subject Company, representing the entire issued share capital of the Subject Company
“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 Shares
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Company”	Gao Feng Limited, a company incorporated in the BVI
“Subject Group”	the Subject Company, the HK Subsidiary and Huarui Asset Management
“Takeovers Code”	The Code on Takeovers and Mergers
“Vendor”	SRE Investment Holding Limited, a company incorporated in the BVI and a controlling Shareholder
“Vendor Acquisition”	the acquisition of the Sale Share and the Loan by the Vendor pursuant to the Vendor Acquisition Agreement
“Vendor Acquisition Agreement”	the sale and purchase agreement dated 21 January 2010 entered into between Md. Li and the Vendor in relation to the acquisition by the Vendor of the Sale Share and the Loan from Md. Li
“Whitewash Waiver”	the waiver by the Executive of the obligation on the part of the Vendor and persons acting in concert with it to make a general offer to the Shareholders for all the securities of the Company not already owned or agreed to be acquired by the Vendor and persons acting in concert with it as a result of the issue and allotment of the Consideration Shares to the Vendor
“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
Shi Jian
Chairman

Hong Kong, 21 January 2010

As as the date of this announcement, the Board comprises five executive Directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Yue Wai Leung, Stan; two non-executive Directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong and three independent non-executive Directors, namely Mr. Jiang Xie Fu, Mr. E Hock Yap and Mr. Pan Long Qing.

English names of the PRC established companies and the Retail Property 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 RMB0.881 = HK\$1 and US\$ has been converted to HK\$ at the rate of US\$1 = HK\$7.8 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 other than in respect of the Subject Group, the Vendor Acquisition Agreement, the Vendor and persons acting in concert with it 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.

As at the date of this announcement, the board of directors of the Vendor comprises four directors, namely Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min and Mr. Shi Jian Dong.

The directors of the Vendor jointly and severally accept full responsibility for the accuracy of the information in this announcement relating to the Subject Group, the Vendor Acquisition Agreement, the Vendor and persons acting in concert with it 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