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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 TRANSACTION ACQUISITION OF CHESWING LIMITED

On 6 December 2010, the Cheswing Vendor and the Purchaser entered into the Cheswing Acquisition Agreement pursuant to which the Cheswing Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Share and the Loan at the Consideration of US\$36,000,000.00. The Sale Share represents the entire issued share capital in Cheswing, which holds indirectly the Property through the PRC Subsidiary.

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

On 6 December 2010, the Cheswing Vendor and the Purchaser entered into the Cheswing Acquisition Agreement pursuant to which the Cheswing Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Share and the Loan at the Consideration.

Date of the Cheswing Acquisition Agreement

6 December 2010

* *For identification purpose only*

Parties to the Cheswing Acquisition Agreement

- (i) Pau Shing Kwan, as the vendor; and
- (ii) Sinopower Investment Limited, a wholly-owned subsidiary of the Company, as the purchaser.

Assets to be acquired

The Purchaser has conditionally agreed to purchase the Sale Share and to take assignment of the Loan from the Cheswing Vendor. The Sale Share represents the entire issued share capital in Cheswing, which holds indirectly the Property through the PRC Subsidiary. Please refer to the paragraph below headed “Information on Cheswing and the PRC Subsidiary” for details of these companies.

The Consideration

The total consideration for the Acquisition is US\$36,000,000.00, of which US\$10,200,001.00 is in respect of the Sale Share and US\$25,799,999.00 is in respect of the Loan. The Consideration, which is to be financed from internal resources of the Group, shall be satisfied by the Purchaser upon Completion.

The Consideration was determined after arm’s length negotiation between the Cheswing Vendor and the Purchaser, with reference to, among other things, the financial position of Cheswing, the geographical location of the Property and the recent auction prices recorded for lands in the proximity.

Conditions to Completion

Pursuant to the Cheswing Acquisition Agreement, Completion is conditional upon the following conditions being satisfied or waived (whether in full or in part, and with or without conditions) by the Purchaser on or before the Long Stop Date:

- (i) the Purchaser undertaking and completing a due diligence investigation in respect of the 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 Group and the Purchaser being satisfied with the results of such due diligence investigation in all respects;
- (ii) the parties to the Cheswing Acquisition Agreement having obtained any and all other consents, permits, approvals, authorizations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated by the Cheswing Acquisition Agreement; and
- (iii) the Warranties remaining true, accurate and not misleading in all material aspects.

In the event that not all the Conditions have been fulfilled or waived by the Purchaser (as the case may be) by no later than 4:00 p.m. on the Long Stop Date, the Cheswing Acquisition Agreement shall lapse and be of no further effect and no party to the Cheswing Acquisition Agreement shall have any claim against or liability or obligation to the other party save in respect of any antecedent breaches of Cheswing Acquisition Agreement.

Termination

The Purchaser may by notice in writing terminate the Cheswing Acquisition Agreement forthwith if at any time prior to Completion:

- (i) the Cheswing Vendor commits any breach of or omits to observe any of its obligations or undertakings expressed to be assumed by it under the Cheswing Acquisition Agreement in any aspect; or
- (ii) any creditor makes a valid demand for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity which demand can be expected to have a Material Adverse Effect; or
- (iii) between the date of the Cheswing Acquisition Agreement and Completion, any provisions in the Cheswing Acquisition Agreement restricting the conduct of business of members of the Group is not satisfied or has not been duly and promptly fulfilled, observed or performed in any respect; or
- (iv) any member of the Group shall sustain any loss or damage (howsoever caused and whether or not the subject of any insurance or claim against any person) which constitutes a Material Adverse Effect; or
- (v) any petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs and have not been withdrawn within 14 days thereof in respect of any member of the Group which can be expected to have a Material Adverse 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 or at such other time as shall be mutually agreed by the Cheswing Vendor and the Purchaser.

Upon Completion, both Cheswing and the PRC Subsidiary will become subsidiaries of the Company.

Information on Cheswing, the PRC Subsidiary and the Property

Cheswing

Cheswing is an investment holding company with limited liability incorporated under the laws of the BVI on 10 July 2007, and is wholly-owned by the Cheswing Vendor as at the date of the Cheswing Acquisition Agreement. Cheswing holds the entire equity interest in the PRC Subsidiary.

The unaudited consolidated net asset value of Cheswing as at 31 December 2009 was US\$1.00. For the period from 10 July 2007 (date of incorporation) to 31 December 2008, the unaudited consolidated net loss of Cheswing was US\$0.00. For the financial year ended 31 December 2009, the unaudited consolidated net loss of Cheswing was US\$0.00.

The PRC Subsidiary

The PRC Subsidiary is a limited liability company established under the laws of the PRC on 26 September 2007, which holds 100% interest in the Property.

The Property

The Property consists of the following:

- (i) the land use right of a parcel of land located in south-western side of Huanhu Road, northern side of Tanxiang, Xiangjiadang, Jiaxing, Zhejiang Province, the PRC (中國浙江嘉興湘家蕩潭湘路北側，環湖路西南側), which has a total site area of approximately 53,275.1 square metres and has been approved for commercial (for a term of land use right of 40 years) and residential (with a term of land use right of 70 years) uses.
- (ii) the land use right of a parcel of land located in eastern side of Huanhu Road, northern side of Xiangjiadang Plaza, Jiaxing, Zhejiang Province, the PRC (中國浙江嘉興湘家蕩廣場北側，環湖路東側), which has a total site area of approximately 76,600.3 square metres and has been approved for commercial (for a term of land use right of 40 years) and residential (with a term of land use right of 70 years) uses.

Reasons for and benefits of the Acquisition

Given the revival of the property market in the PRC, in particular in fast growing provinces like Zhejiang, the increasing property market price in Zhejiang, and the prime location of the Property, the Company expects the Acquisition would enhance its profitability once the development of the Property into a high-end residential and commercial property has been completed.

Having considered the above, the Directors consider that the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Company, and that the terms of the Cheswing Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Group and the Shareholders as a whole.

Implications of the Listing Rules

As the applicable percentage ratios as set out in the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

GENERAL

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

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| “Acquisition” | the acquisition of the Sale Share and the Loan pursuant to the Cheswing Acquisition Agreement |
| “associate(s)” | has the meaning ascribed to it in the Listing Rules |
| “Business Day” | a day, other than a Saturday, on which licensed banks in Hong Kong are open for business throughout their normal business hours |
| “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 Cheswing Acquisition Agreement |
| “Completion Date” | the date on which all Conditions have been fulfilled (or waived, as appropriate) |
| “Conditions” | the conditions precedent to the Completion, as more particularly set out under the section headed “The Acquisition of Cheswing-Conditions to Completion” of this announcement |
| “Consideration” | the aggregate consideration for the Sale Share and the Loan in the amount of US\$36,000,000.00 |
| “Directors” | the directors of the Company |
| “Cheswing” | Cheswing Limited, a company incorporated in the BVI with limited liability, and wholly-owned by the Cheswing Vendor as at the date of this announcement |

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| “Cheswing Group” | Cheswing and the PRC Subsidiary and “member of the Cheswing Group” shall mean any of them |
| “Cheswing Vendor” | Mr. Pau Shing Kwan |
| “Cheswing Acquisition Agreement” | the conditional sale and purchase agreement dated 6 December 2010 entered into between the Cheswing Vendor and the Purchaser, pursuant to which the Cheswing Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Loan |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | 31 March 2011 |
| “Material Adverse Change” | 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 Group as a whole |
| “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” | 嘉興湖畔華府置業有限公司 (formerly known as 嘉興湘家蕩旅遊度假區投資管理有限公司), a company established in the PRC with limited liability, which is wholly-owned by Cheswing |
| “Property” | the two pieces of land held by the PRC Subsidiary as set out in the Cheswing Acquisition Agreement |
| “Purchaser” or “Sinopower” | Sinopower Investment Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of the Company |
| “Loan” | means the unsecured, non-interest bearing and repayable on demand loan in the sum of US\$25,799,999.00 (approximately HK\$201,239,992.20) which is outstanding and owing by Cheswing to the Cheswing Vendor as at the date of the Cheswing Acquisition Agreement |

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| “Sale Share” | 1 share of US\$1.00 in the capital of Cheswing, representing the entire issued share capital of Cheswing |
| “Share(s)” | ordinary share(s) of US\$1.00 each in the share capital of Cheswing |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Warranties” | the agreements, obligations, warranties, representations and undertakings of the Cheswing Vendor as set out in the Cheswing Acquisition Agreement |
| “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, 6 December 2010

As at the date hereof, the board of directors of the Company comprises six executive directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong, Mr. Shi Pin Ren 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. Zhuo Fumin.

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

In this announcement, 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 US\$ or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.