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**CONNECTED TRANSACTION RELATING TO
THE SUBSCRIPTION OF CONVERTIBLE NOTE
BY THE CONTROLLING SHAREHOLDER
AND APPLICATION FOR WHITEWASH WAIVER**

THE CONVERTIBLE NOTE SUBSCRIPTION AGREEMENT

On 6 May 2011, the Subscriber entered into the Convertible Note Subscription Agreement with the Company, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Note in the principal amount of HK\$550 million subject to the terms and conditions of the Convertible Note Subscription Agreement. The Convertible Note shall bear an interest rate of 2% per annum and mature on the date falling on the fifth anniversary of the date of issue of the Convertible Note.

The initial Conversion Price is HK\$1.00 per Conversion Share and represents a premium of approximately 44.9% over the closing price of HK\$0.690 per Share as quoted on the Stock Exchange on the Last Trading Day and 44.1% over the average closing price of approximately HK\$0.694 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day. Assuming full conversion of the Convertible Note at the initial Conversion Price, the Convertible Note will be convertible into 550,000,000 Conversion Shares, representing approximately (i) 12.78% of the issued share capital of the Company as at the date of the Convertible Note Subscription Agreement; and (ii) 11.33% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note (without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note).

* For identification purpose only

An ordinary resolution will be proposed at the SGM to seek, among other things, a specific mandate for the allotment and issue of the Conversion Shares. No application will be made for the listing of the Convertible Note. An application will be made to the Stock Exchange for the listing of and permission to deal with the Conversion Shares.

LISTING RULES IMPLICATIONS

Since the Subscriber is a controlling Shareholder, it is a connected person of the Company and, accordingly, the Convertible Note Subscription 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 Convertible Note Subscription exceed 5%, the Convertible Note Subscription is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules. As at the date of this announcement, Mr. Shi Jian, and Mr. Li Yao Min are shareholders and directors of the Subscriber and the Company, Mr. Yu Hai Sheng is a shareholder of the Subscriber, Mr. Shi Jian Dong is a shareholder and director of the Subscriber, and Md. Si Xiao Dong is the spouse of Mr. Shi Jian and both a shareholder and director of the Subscriber. Accordingly, the Subscriber, Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong and their respective associates (in aggregate holding 1,969,460,472 Shares) will abstain from voting at the SGM in respect of the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder. The Directors have confirmed that so far as they are aware, save for the above, no other Shareholder is interested in the Convertible Note Subscription.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of the Convertible Note Subscription Agreement, the Subscriber holds 1,798,400,938 Shares, and together with the Lent Shares, the Subscriber is interested in a total of 1,948,400,938 Shares, representing approximately 45.27% of the issued share capital of the Company. Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong, being persons acting in concert with the Subscriber, holds 7,246,887 Shares, 2,220 Shares, 5,172,220 Shares, 6,235,987 Shares and 2,402,220 Shares respectively, representing approximately 0.17%, 0.00005%, 0.12%, 0.14% and 0.06% of the issued share capital of the Company respectively as at the date of the Convertible Note Subscription Agreement. Therefore, the Subscriber and persons acting in concert with it are interested in a total of 1,969,460,472 Shares (or 1,819,460,472 Shares if excluding the Lent Shares), representing approximately 45.76% (or approximately 42.27% if excluding the Lent Shares) of the issued share capital of the Company as at the date of the Convertible Note Subscription Agreement.

Upon full conversion of the Convertible Note, without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note, the Subscriber and persons acting in concert with it will be interested in 2,519,460,472 Shares (or 2,369,460,472 Shares if excluding the Lent Shares), representing approximately 51.91% (or approximately 48.82% if excluding the Lent Shares) of the issued share capital of Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note. Under Rule 26 of the Takeovers Code, the acquisition of voting rights by more than 2% from the lowest collective holding of voting rights in the Company in any 12-month period by the Subscriber will trigger an obligation on the Subscriber and persons acting in concert with it to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by them, unless a whitewash waiver is granted by the Executive and approved by the independent shareholders of the Company. Accordingly, if the Subscriber acquires Conversion Shares such that the interests of the Subscriber and persons acting in concert with it in the voting rights in the Company is increased by more than 2% from their lowest collective holding of voting rights in the Company in any 12-month period, the Subscriber and persons acting in concert with it have the obligation to make such general offer unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders by way of a poll.

The Subscriber will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Assuming full conversion of the Convertible Note, without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note, the aggregate shareholding of the Subscriber and persons acting in concert with it in the Company will exceed 50%, and if the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the SGM, the Subscriber and persons acting in concert with it may further increase their shareholdings in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

The Subscriber, its ultimate beneficial owners and persons acting in concert with any of them, their respective associates and those involved or interested in the Convertible Note Subscription and the Whitewash Waiver (including Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong and Mr. Shi Jian Dong) shall abstain from voting at the SGM in respect of the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

GENERAL

Pursuant to the Listing Rules, the Subscription IBC comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder. Pursuant to the Takeovers Code, the Whitewash IBC comprising one of the non-executive Directors, namely Mr. Jin Bing Rong, and all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders as to (i) the fairness and reasonableness of the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver and (ii) how they should vote in respect of the resolutions to be proposed at the SGM to approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder and 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 Convertible Note Subscription and the Whitewash Waiver, he has not been appointed as a member of the Whitewash IBC. No member of the Subscription IBC nor the Whitewash IBC has any interest or involvement in the Convertible Note Subscription or the Whitewash Waiver. The Independent Financial Adviser has been appointed to advise the Subscription IBC, the Whitewash IBC and the Independent Shareholders in this regard, the appointment of which has been approved by the Subscription IBC and the Whitewash IBC respectively.

A circular containing, among other things, (i) details of the Convertible Note Subscription and the Convertible Note Subscription Agreement, (ii) details of the Whitewash Waiver, (iii) a letter of recommendation from the Subscription IBC to the Independent Shareholders in respect of the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder, (iv) a letter of recommendation from the Whitewash IBC to the Independent Shareholders in respect of the fairness and reasonableness of the Convertible Note Subscription and the Whitewash Waiver; (v) a letter of advice from the Independent Financial Adviser to the Subscription IBC, the Whitewash IBC and the Independent Shareholders in relation to the Convertible Note Subscription and the Whitewash Waiver; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules and the Takeovers Code, is expected to be dispatched by the Company to the Shareholders on or before 26 May 2011.

THE CONVERTIBLE NOTE SUBSCRIPTION AGREEMENT

On 6 May 2011, the Subscriber entered into the Convertible Note Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Note in the principal amount of HK\$550 million.

- Date : 6 May 2011
- Issuer : The Company
- Subscriber : SRE Investment Holding Limited, a company incorporated in the British Virgin Islands and a controlling Shareholder interested in 1,798,400,938 Shares, and together with the Lent Shares, 1,948,400,938 Shares, representing approximately 41.79% and 45.27% of the issued share capital of the Company, respectively, as at the date of the Convertible Note Subscription Agreement
- Conditions precedent : Completion of the Convertible Note Subscription Agreement is conditional upon:
- (i) the Listing Committee of the Stock Exchange having granted or having agreed to grant (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and permission to deal in, the Conversion Shares;
 - (ii) the Executive having granted the Whitewash Waiver;
 - (iii) the passing of a resolution by the Independent Shareholders at the SGM approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Note; and
 - (iv) the passing of a resolution by the Independent Shareholders at the SGM approving the Whitewash Waiver.
- In the event that not all the conditions precedent to the Convertible Note Subscription Agreement have been fulfilled by 4:00 p.m. on the Long Stop Date, the Convertible Note Subscription Agreement shall terminate, lapse and be of no further effect, and the Company and the Subscriber shall be released from all obligations thereunder and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Convertible Note Subscription Agreement. None of the conditions to the Convertible Note Subscription Agreement mentioned above can be waived by either party to the Convertible Note Subscription Agreement.
- Completion : Subject to fulfilment of all the conditions precedent set out above, completion of the Convertible Note Subscription Agreement shall take place on the Completion Date.

Principal terms of the Convertible Note

Issuer	:	The Company
Subscriber	:	SRE Investment Holding Limited
Principal amount:		HK\$550 million
Issue price	:	HK\$550 million
Maturity date	:	The date falling on the fifth anniversary of the date of issue of the Convertible Note (the “Maturity Date”)
Interest rate	:	2% per annum, payable semi-annually in arrears
Conversion rights	:	The Noteholder will have the right to convert the whole or part of the principal amount of the Convertible Note into Conversion Shares in amounts of not less than HK\$1,000,000 on each conversion at any time and from time to time from the date of the issue of the Convertible Note up to the close of business on the date falling 30 business days prior to the Maturity Date.
Conversion Price:		The initial Conversion Price is HK\$1.00 per Conversion Share and represents: <ul style="list-style-type: none">(i) a premium of approximately 44.9% over the closing price of HK\$0.690 per Share as quoted on the Stock Exchange on the Last Trading Day;(ii) a premium of approximately 44.1% over the average closing price of HK\$0.694 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;(iii) a premium of approximately 42.5% over the average closing price of HK\$0.702 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;(iv) a premium of approximately 41.4% over the average closing price of HK\$0.707 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 49.6% to the Group’s audited consolidated net asset value per Share as at 31 December 2010 of approximately HK\$1.985 (based on a total of 4,303,881,194 Shares as at the date of the Convertible Note Subscription Agreement and the Group’s audited consolidated net asset value attributable to the Shareholders of approximately HK\$8,544,783,000 as at 31 December 2010).

The Conversion Price was determined after arm’s length negotiation between the Company and the Subscriber with reference to the recent trading prices of the Shares on the Stock Exchange.

Adjustments to Conversion Price :	The Conversion Price will be subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, dividend or distribution, rights issue of Shares or options over Shares, issues at less than current market price and other events which may have a diluting effect on the Noteholder.
Redemption of the Convertible Note by the Company :	<p>The Company may redeem the Convertible Note at the redemption amount which is equal to 100% of the then outstanding principal amount of the Convertible Note, together with all interest accrued thereon and remaining outstanding (if any), at any time on or after the first anniversary of its issuance.</p> <p>Unless previously redeemed, converted or purchased and cancelled, the Convertible Note will be redeemed at 100% of their principal amount on the Maturity Date.</p>
Transferability :	Subject to all applicable laws and regulations and prior notification to the Company, the Convertible Note may only be assigned or transferred in whole or in part of its principal amount outstanding to any subsidiary or holding company of the Subscriber or any subsidiary of any holding company of the Subscriber or, if required by the Stock Exchange, with the prior approval of the Stock Exchange and the Company, to any other party.
Voting rights :	A Noteholder will not be entitled to receive notice of, attend or vote at any general meetings of the Company by reason only of it being a Noteholder
Listing :	<p>The Company will apply to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Note.</p> <p>No application will be made by the Company for the listing of the Convertible Note.</p>
Ranking of the Conversion Shares :	The Conversion Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with all other existing Shares outstanding at the date of such allotment and issue and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of such allotment and issue
Ranking of the Convertible Note :	The obligations of the Company arising under the Convertible Note constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and rank and shall at all times rank <i>pari passu</i> in all respects among themselves and <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.
Events of default	After the occurrence of an event of default as specified in the terms and conditions of the Convertible Note, a Noteholder may give notice to the Company that the Convertible Note is immediately due and payable.

Lock-up undertaking

The Subscriber has irrevocably undertaken to the Company that during the 24-month period commencing from the Completion Date, the Subscriber shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Company:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Locked-up Conversion Shares;
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Locked-up Conversion Shares, whether any of the foregoing transactions is to be settled by delivery of the Locked-up Conversion Shares or such other securities, in cash or otherwise;
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Force majeure

If and to the extent that either the Company or the Subscriber is prevented or delayed from performing any of its obligations under the Convertible Note Subscription Agreement by any event or circumstances not foreseeable at the date of the Convertible Note Subscription Agreement and beyond the reasonable control of the party in question, including (without prejudice to the generality of the foregoing) serious market downturn, material adverse change in the financial or market conditions of Hong Kong or the PRC, or the occurrence of any event having a material adverse effect on the financial position, assets, business operations or prospects of the relevant party (the “**Force Majeure Event**”), the party affected by the Force Majeure Event shall promptly notify the other party and provide details of the Force Majeure Event, then the party so affected shall be relieved of its liability to the other party for the failure to perform or the delay in performing such obligations (as the case may be), but shall nevertheless use its best endeavours to resume full performance thereof as soon as practicable.

If the Force Majeure Event continues or is likely to continue for a period of 3 months or more following notification, either party may terminate the Convertible Note Subscription Agreement forthwith by giving written notice to the other party and Convertible Note Subscription Agreement shall terminate, lapse and be of no further effect, and the parties shall be released from all obligations thereunder and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Convertible Note Subscription Agreement.

The Conversion Shares

Based on the initial Conversion Price of HK\$1.00 per Conversion Share and assuming full conversion of the Convertible Note, the Convertible Note will be convertible into 550,000,000 Conversion Shares, representing:

- (i) approximately 12.78% of the issued share capital of the Company as at the date of the Convertible Note Subscription Agreement; and
- (ii) approximately 11.33% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note (without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note).

An ordinary resolution will be proposed at the SGM to seek, among other things, a specific mandate for the allotment and issue of the Conversion Shares.

EFFECT OF THE CONVERTIBLE NOTE SUBSCRIPTION

Set out below are the shareholding structures of the Company (i) as at the date of the Convertible Note Subscription Agreement; (ii) immediately after full conversion of the Convertible Note (without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note); and (iii) immediately after full conversion of the Convertible Note and the Outstanding Convertible Bonds (assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares and the issue of new Shares upon the exercise of conversion rights attached to the Outstanding Convertible Bonds since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note):

	As at the date of the Convertible Note Subscription Agreement		Immediately after full conversion of the Convertible Note (Note 7)		Immediately after full conversion of the Convertible Note and the Outstanding Convertible Bonds (Note 8)	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
The Subscriber (Note 1)	1,948,400,938 (Note 2)	45.27	2,498,400,938 (Note 3)	51.47	2,498,400,938 (Note 3)	46.57
The Directors:						
– Mr. Shi Jian (Note 4)	7,246,887	0.17	7,246,887	0.15	7,246,887	0.14
– Mr. Li Yao Min (Note 4)	5,172,220	0.12	5,172,220	0.11	5,172,220	0.10
– Mr. Yu Hai Sheng (Note 4)	6,235,987	0.14	6,235,987	0.13	6,235,987	0.12
– Md. Si Xiao Dong (Note 4)	2,220	0.00005	2,220	0.00005	2,220	0.00004
– Mr. Shi Jian Dong (Note 4)	2,402,220	0.06	2,402,220	0.05	2,402,220	0.04
Sub-total of the Subscriber and persons acting in concert with it (Note 5)	1,969,460,472	45.76	2,519,460,472	51.91	2,519,460,472	46.96
Other shareholders	2,334,420,722 (Note 6)	54.24	2,334,420,722 (Note 6)	48.09	2,845,494,790 (Note 9)	53.04
Total	4,303,881,194	100.00	4,853,881,194	100.00	5,364,955,262	100.00

Notes:

1. The shareholders of the Subscriber consist of Mr. Shi Jian (holding 33% interest), Md. Si Xiao Dong (the spouse of Mr. Shi Jian, holding 30% interest), Mr. Li Yao Min (holding 5% interest), Mr. Yu Hai Sheng (holding 5% interest), Mr. Shi Jian Dong (holding 5% interest), Mr. Jiang Xu Dong (holding 2% interest), Mr. Shi Pin Ren (holding 1% interest), Mr. Yue Wai Leung, Stan (holding 2% interest), Ms. Gu Biya (holding 1% interest), Ms. Song Yiqing (holding 1% interest), Mr. Mao Yiping (holding 1% interest), Mr. Yang Yonggang (holding 1% interest), and other relatives of Mr. Shi Jian and/or Md. Si Xiao Dong (holding in aggregate 8% interest), and unrelated parties comprising 4 long term employees of the Group, namely Mr. Wang Zi Xiong (holding 2% interest), Mr. Huang Wei Lun (holding 1% interest), Ms. Li Hua (holding 1% interest) and Mr. Xue Jian Ming (holding 1% interest). Each of Mr. Shi Jian, Mr. Li Yao Min and Mr. Yue Wai Leung Stan is both a Director and a director of China New Town Development Company Limited, a 61.54%-owned subsidiary of the Company whose shares are listed on the Stock Exchange (“CNTD”). Each of Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Shi Pin Ren is a Director. Each of Ms. Gu Biya, Ms. Song Yiqing, Mr. Mao Yiping and Mr. Yang Yonggang is a director of CNTD. Save as set out in the table above, no other shareholder of the Subscriber holds any Shares as at the date of this announcement.
2. These Shares comprise 1,798,400,938 Shares held by the Subscriber and the Lent Shares (being 150,000,000 Shares, representing approximately 3.49% of the issued share capital of the Company as at the date of the Convertible Note Subscription Agreement). The Lent Shares are being included only for the purposes of illustrating the maximum number of Shares held by the Subscriber before the Convertible Note Subscription and after full conversion of the Convertible Note. For the reasons set out in the section headed “Information Required under the Takeovers Code” of this announcement, the Stock Borrowers are not considered persons acting in concert with the Subscriber for the purposes of the Convertible Note Subscription and the Whitewash Waiver and the Lent Shares can be voted by the holders thereof at the SGM. The Subscriber has no control over the voting rights of the Lent Shares and has no means of ascertaining whether and how these Lent Shares will be voted at the SGM.

3. *These Shares include the Lent Shares (being 150,000,000 Shares, representing approximately 3.1% of the issued share capital of the Company immediately after full conversion of the Convertible Note and approximately 2.8% of the issued share capital of the Company immediately after full conversion of the Convertible Note and the Outstanding Convertible Bonds).*
4. *Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min and Mr. Shi Jian Dong are both shareholders and directors of the Subscriber and Mr. Yu Hai Sheng is a shareholder of the Subscriber.*
5. *Persons acting in concert with the Subscriber who are Shareholders comprise Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong.*
6. *These 2,334,420,722 Shares have not taken into account of the 150,000,000 Lent Shares, the voting rights of which rest with the holders thereof and may be voted by such holders at the SGM. Pursuant to the stock borrow agreements in relation to the Lent Shares, the Subscriber is entitled, following any conversion of the Outstanding Convertible Bonds, to call for the redelivery by the Stock 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 Subscriber is entitled to call for the redelivery by the Stock Borrowers of the Lent Shares at any time after the earlier of (i) the third anniversary of the issue date of the Outstanding Convertible Bonds and (ii) the date on which the Outstanding Convertible Bonds have been redeemed in full. Since none of the events referred to above has occurred yet, the Subscriber has no right to call for the redelivery of any of the Lent Shares from the Stock Borrowers as at the date of this announcement. Taking into account the Lent Shares but without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company since the date of this announcement up to the date of the SGM, the total number of Shares which may be voted at the SGM is 2,484,420,722 Shares, representing approximately 57.7% of the issued share capital of the Company as at the date of this announcement, and approximately 51.2% of the issued share capital of the Company immediately after full conversion of the Convertible Note.*
7. *This shareholding structure of the Company is set out on the assumption that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note.*
8. *This shareholding structure of the Company is set out on the assumption that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares and the issue of Shares upon the exercise of the conversion rights attached to the Outstanding Convertible Bonds since the date of the Convertible Note Subscription Agreement up to the date of full conversion of both the Convertible Note and the Outstanding Convertible Bonds. As at the date of the Convertible Note Subscription Agreement, there were Outstanding Convertible Bonds in the aggregate principal amount of RMB446.9 million which were convertible into 511,074,068 Shares based on the current conversion price of HK\$0.992 per Share.*
9. *These 2,845,494,790 Shares include the 511,074,068 Shares which may be issued upon full conversion of the Outstanding Convertible Note at the current conversion price HK\$0.992 per Share but does not include the 150,000,000 Lent Shares, the voting rights of which rest with the holders thereof and may be voted by such holders at the SGM.*

REASONS FOR THE ENTERING INTO OF THE CONVERTIBLE NOTE SUBSCRIPTION AGREEMENT AND THE USE OF PROCEEDS

The Group is an integrated property developer and is principally engaged in the development and sale of residential and commercial properties in Shanghai, Shenyang (Liaoning Province), Haikou (Hainan Province), Wuxi (Jiangsu Province), Jiaxing (Zhejiang Province) and Chengdu (Sichuan Province), the PRC, with a focus on the development of middle-to high-end residential properties. In addition, the Group is also engaged in the planning, management and operations of new towns in the PRC.

The Group's property and new town development projects, which generally requires the Group to incur substantial capital outlay (such as construction cost) at their initial development stage before they can generate cash inflow from the presale/sale of the underlying properties, are normally developed in several phases over a number of years and are primarily financed by bank borrowings and cash received from the presale/sale of the Group's properties and land development projects during their various development stage. The management of the Group from time to time monitors its liquidity position such that the Group's working capital available matches with the progress of its property development projects. As described in the 2010 Annual Report, to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the Shareholders' value are the primary objectives of its capital management policy.

As stated in the 2010 Annual Report, the Group recorded a substantial increase of approximately 60% in the carrying amount of its interest-bearing bank and other borrowings to approximately HK\$12.0 billion as at 31 December 2010 and resulted in substantial increases in (i) the Group's gearing ratio by approximately 14% to 40% as at 31 December 2010 from 2009; and (ii) the Group's interest expenses (before capitalisation) by approximately 40% to HK\$706.8 million for the year ended 31 December 2010 from 2009. In addition, the Outstanding Convertible Bonds, which will mature in July 2014 and bears a fixed interest rate of 6% per annum, contain an early redemption provision such that the holders of the Outstanding Convertible Bonds shall have the right to require the Company to redeem all or some only of its/his/her Outstanding Convertible Bonds at a redemption price based on the aggregate outstanding principal amount of the Outstanding Convertible Bonds plus the relevant accrued and unpaid interest in July 2012. Given that as at 31 December 2010, the cash and bank balances of the Group amounted to only approximately HK\$5.4 billion while capital commitment and commitments in respect of land or property development for sale amounted to approximately HK\$15.8 billion, the potential early redemption of the Outstanding Convertible Bonds by the holders may have negative impact on the Group's cash operating cycle.

The net proceeds from the Convertible Note Subscription are estimated to be approximately HK\$546 million. With a view to enhancing the liquidity position of the Group and reducing the Group's overall interest expenses, the management of the Company intends to apply the net proceeds from the Convertible Note Subscription to refinance part of the Group's existing interest-bearing debts (which generally bear higher interest rates than the Convertible Note does) and, in particular, to meet the possible capital requirement resulted from the early redemption of the Outstanding Convertible Bonds.

According to the report issued by Moody's Investors Service in April 2011 (the "Moody's Report"), it has downgraded the outlook for the PRC's property sector from stable to negative as a result of the tightening regulatory measures, rising interest rates, reduced bank lending, significant refinancing needs and increasing supply in the PRC. The Moody's Report also indicated that the Group, which has high debt leverage and substantial land and development expenditures, is relatively vulnerable to a downturn in the PRC's property market in terms of liquidity position. The Group has considered a number of refinancing alternatives such as bank loans or debts to strengthen the liquidity position of the Group, but the alternatives would be more costly and would cast high uncertainty to the financial performance for the Group under an interest rate hiking cycle when compared with the lower fixed interest rate of the Convertible Note.

Having considered the above and given that (i) the Conversion Price is at a substantial premium to the recent closing price of the Shares; and (ii) the lower interest rate of the Convertible Note than the Group's long-term bank and other borrowings (which bears an weighted average effective rates in the range of 2.76% to 11.56%), the Directors (excluding the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser) consider that the Convertible Note Subscription is fair and reasonable and on normal commercial terms and the entering into of the Convertible Note Subscription Agreement is in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the Subscriber is a controlling Shareholder, it is a connected person of the Company and, accordingly, the Convertible Note Subscription 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 Convertible Note Subscription exceed 5%, the Convertible Note Subscription is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules. As at the date of this announcement, Mr. Shi Jian and Mr. Li Yao Min are shareholders and directors of the Subscriber and the Company, Mr. Yu Hai Sheng is a shareholder of the Subscriber, Mr. Shi Jian Dong is a shareholder and director of the Subscriber, and Md. Si Xiao Dong is the spouse of Mr. Shi Jian and both a shareholder and director of the Subscriber. Accordingly, the Subscriber, Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong and their respective associates (in aggregate holding 1,969,460,472 Shares) will abstain from voting at the SGM in respect of the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder. The Directors have confirmed that so far as they are aware, save for the above, no other Shareholder is interested in the Convertible Note Subscription.

Mr. Shi Jian, Mr. Li Yao Min and Mr. Yu Hai Sheng, being materially interested in the Convertible Note Subscription and the Whitewash Waiver, had abstained from voting in the meeting of the Board on the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the date of this announcement, save for the Outstanding Convertible Bonds which are convertible into 511,074,068 Shares, the Company does not have any options, warrants or convertible securities in issue. Furthermore, the Subscriber and each of its directors and shareholders has confirmed that save for (i) the allotment and issue of 700,000,000 Shares by the Company to the Subscriber on 28 March 2011 pursuant to the subscription agreement dated 9 December 2010 entered into between the Company and the Subscriber and (ii) the entitlement by it/him/her and persons acting in concert with it/him/her who are Shareholders of scrip dividend in respect of the Group's final dividend for the year ended 31 December 2010 pursuant to the Scrip Dividend Scheme, neither it/he/she nor any persons acting in concert with it/him/her:

- (a) has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Convertible Note Subscription Agreement and up to the date of this announcement;
- (b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or shares of the Subscriber and which might be material to the transactions contemplated under the Convertible Note Subscription Agreement or the Whitewash Waiver with any other persons; and
- (d) has any agreements or arrangements to which it/he/she is a party which relate to the circumstances in which it/he/she may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Convertible Note Subscription Agreement or the Whitewash Waiver, nor any such agreements or arrangements the consequences of its/his/her so invoking or seeking to invoke a precondition or a condition to such transactions would result in any break fees being payable.

As at the date of this announcement, neither the Subscriber nor any persons acting in concert with it has received an irrevocable commitment to vote in favour of or against the Convertible Note Subscription and/or the Whitewash Waiver.

For purposes of facilitating the dealing in the Outstanding Convertible Bonds by the places of the Outstanding Convertible Bonds (the “**CB Investors**”), Credit Swisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch, being the joint bookrunners of the Outstanding Convertible Bonds, had demanded stock borrowing arrangements with the Subscriber, being the controlling Shareholder, for subsequent lending of the Shares 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 Subscriber entered into a stock borrow agreement with each of the Stock Borrowers to lend the Lent Shares to the Stock Borrowers. Since (i) neither of the Stock Borrowers are involved or interested in, or have participated in any negotiations relating to, the Convertible Note Subscription Agreement or the transactions contemplated thereunder or the Whitewash Waiver; (ii) according to the relevant stock borrow agreements relating to the Lent Shares, the Stock Borrowers have no obligations to exercise the voting rights attached to the Lent Shares in accordance with the instructions of the Subscriber; (iii) neither of the Stock Borrowers have advised the Subscriber in respect of the stock borrowing arrangements nor the Convertible Note Subscription nor the Whitewash Waiver; and (iv) neither of the Stock Borrowers had met or contacted the Subscriber, its representatives and/or persons

acting in concert with the Subscriber in respect of the Convertible Note Subscription and the Whitewash Waiver, they are not considered persons acting in concert with the Subscriber for the purpose of the Convertible Note Subscription and the Whitewash Waiver.

As at the date of this announcement, (i) no holder of the Lent Shares is a person acting in concert with the Subscriber or is otherwise involved or interested in, or have participated in any negotiations relating to, the Convertible Note Subscription Agreement and the transactions contemplated thereunder or the Whitewash Waiver, and (ii) 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 Subscriber or any person acting in concert with it has borrowed or lent.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of the Convertible Note Subscription Agreement, the Subscriber holds 1,798,400,938 Shares, and together with the Lent Shares, the Subscriber is interested in a total of 1,948,400,938 Shares, representing approximately 45.27% of the issued share capital of the Company. Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong, being persons acting in concert with the Subscriber, holds 7,246,887 Shares, 2,220 Shares, 5,172,220 Shares, 6,235,987 Shares and 2,402,220 Shares respectively, representing approximately 0.17%, 0.00005%, 0.12%, 0.14% and 0.06% of the issued share capital of the Company respectively as at the date of the Convertible Note Subscription Agreement. Therefore, the Subscriber and persons acting in concert with it are interested in a total of 1,969,460,472 Shares (or 1,819,460,472 Shares if excluding the Lent Shares), representing approximately 45.76% (or approximately 42.27% if excluding the Lent Shares) of the issued share capital of the Company as at the date of the Convertible Note Subscription Agreement.

Upon full conversion of the Convertible Note, without taking into account any new Shares which may be issued under the Scrip Dividend Scheme and assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares from the date of the Convertible Note Subscription Agreement up to the date of full conversion of the Convertible Note, the Subscriber and persons acting in concert with it will be interested in 2,519,460,472 Shares (or 2,369,460,472 Shares if excluding the Lent Shares), representing approximately 51.91% (or approximately 48.82% if excluding the Lent Shares) of the issued share capital of Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note. Under Rule 26 of the Takeovers Code, the acquisition of voting rights by more than 2% from the lowest collective holding of voting rights in the Company in any 12-month period by the Subscriber will trigger an obligation on the Subscriber and persons acting in concert with it to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by them, unless a whitewash waiver is granted by the Executive and approved by the independent shareholders of the Company. Accordingly, if the Subscriber acquires Conversion Shares such that the interests of the Subscriber and persons acting in concert with it in the voting rights in the Company is increased by more than 2% from their lowest collective holding of voting rights in the Company in any 12-month period, the Subscriber and persons acting in concert with it have the obligation to make such general offer unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders by way of a poll.

The Subscriber will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Assuming full conversion of the Convertible Note, the aggregate shareholding of the Subscriber and persons acting in concert with it in the Company may exceed 50% and if the Whitewash Waiver is granted by the Executive and approved by the Independent

Shareholders at the SGM, the Subscriber and persons acting in concert with it may further increase their shareholdings in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

The Subscriber, its ultimate beneficial owners and persons acting in concert with any of them, their respective associates and those involved or interested in the Convertible Note Subscription and the Whitewash Waiver (including Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong and Mr. Shi Jian Dong) shall abstain from voting at the SGM in respect of the resolutions approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

The Subscriber and each director and shareholder of the Subscriber has undertaken to the Company that apart from the Convertible Note Subscription Agreement, neither it/he/she nor any persons acting in concert with it/him/her will:

- (a) from the date of the Convertible Note Subscription Agreement until the Completion Date acquire or dispose of or enter into any agreement or arrangement 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 or arrangement to acquire or dispose of any voting rights in the Company from or to a person who is a Director or substantial Shareholder at any time during the period from the date of this announcement to the Completion Date (both dates inclusive).

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company allotted and issued a total of 700,000,000 new Shares to the Subscriber on 28 March 2011 and raised net proceeds of approximately HK\$560 million, all of which will be applied to the continuous development of the Group's development project at Huangpu District, Shanghai as disclosed in the Company's circular dated 10 January 2011.

Save as disclosed above, the Company did not conduct any other fund raising activities during the past twelve months immediately preceding the date of this announcement.

GENERAL

Pursuant to the Listing Rules, the Subscription IBC comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder. Pursuant to the Takeovers Code, the Whitewash IBC comprising one of the non-executive Directors, namely Mr. Jin Bing Rong, and all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders as to (i) the fairness and reasonableness of the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver and (ii) how they should vote in respect of the resolutions to be proposed at the SGM to approve the Convertible Note Subscription Agreement and the transactions contemplated thereunder and 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 Convertible Note Subscription and the Whitewash Waiver, he has not been appointed as a member of the Whitewash IBC. No member of the Subscription IBC nor the Whitewash IBC has any interest or involvement in the Convertible Note Subscription or the Whitewash Waiver. The

Independent Financial Adviser has been appointed to advise the Subscription IBC, the Whitewash IBC and the Independent Shareholders in this regard, the appointment of which has been approved by the Subscription IBC and the Whitewash IBC respectively.

A circular containing, among other things, (i) details of the Convertible Note Subscription and the Convertible Note Subscription Agreement; (ii) details of the Whitewash Waiver; (iii) a letter of recommendation from the Subscription IBC to the Independent Shareholders in respect of the terms of the Convertible Note Subscription Agreement and the transactions contemplated thereunder; (iv) a letter of recommendation from the Whitewash IBC to the Independent Shareholders in respect of the fairness and reasonableness of the Convertible Note Subscription and the Whitewash Waiver; (v) a letter of advice from the Independent Financial Adviser to the Subscription IBC, the Whitewash IBC and the Independent Shareholders in relation to the Convertible Note Subscription and the Whitewash Waiver; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules and the Takeovers Code, is expected to be dispatched by the Company to the Shareholders on or before 30 May 2011.

PRINCIPAL ACTIVITIES OF THE SUBSCRIBER AND THE GROUP

The principal activity of the Subscriber is investment holding.

The Group is an integrated property developer and is principally engaged in the development and sale of residential and commercial properties in Shanghai, Shenyang (Liaoning Province), Haikou (Hainan Province), Wuxi (Jiangsu Province), Jiaxing (Zhejiang Province) and Chengdu (Sichuan Province), the PRC, with a focus on the development of middle to high-end residential properties. In addition, the Group is also engaged in the planning, management and operations of new towns in the PRC.

DEFINITIONS

“2010 Annual Report”	the Company’s annual report for the year ended 31 December 2010
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Completion Date”	the 90th calendar day following the date on which all the conditions precedent are fulfilled or such other date as the Company and the Subscriber may agree in writing
“Conversion Price”	initially HK\$1.00 per Conversion Share (subject to adjustment)
“Conversion Share(s)”	new Share(s) to be allotted and issued to the Noteholder upon exercise of the conversion rights attached to the Convertible Note
“Convertible Note”	the HK\$550 million, 2% convertible note due 2016 convertible into Shares to be issued by the Company
“Convertible Note Subscription”	the subscription of the Convertible Note by the Subscriber pursuant to the Convertible Note Subscription Agreement

“Convertible Note Subscription Agreement”	the conditional subscription agreement dated 6 May 2011 entered into between the Subscriber and the Company relating to the subscription of the Convertible Note by the Subscriber
“Director(s)”	the director(s) 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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	OSK Capital Hong Kong Limited, being the independent financial adviser to the Subscription IBC, the Whitewash IBC and the Independent Shareholders in respect of the Convertible Note Subscription and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Subscriber and persons acting in concert with it and any other Shareholders who are involved in, or interested in the Convertible Note Subscription and the Whitewash Waiver
“Last Trading Day”	5 May 2011, being the last trading day of the Shares on the Stock Exchange prior to the date of the Convertible Note Subscription Agreement
“Lent Shares”	150 million Shares lent by the Subscriber 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 (acting through its London Branch)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Locked-up Conversion Share(s)”	the Conversion Shares which are allotted and issued to the Subscriber during the 24-month period from the date of issue of the Convertible Note
“Long Stop Date”	29 July 2011 or such later date as the Subscriber and the Company may agree in writing
“Noteholder”	holder of the Convertible Note from time to time
“Outstanding Convertible Bonds”	the RMB denominated 6% convertible bonds in the principal amount of RMB446,900,000 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
“persons acting in concert”	has the meaning ascribed to it under the Takeovers Code

“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Scrip Dividend Scheme”	the proposed payment of a final dividend in respect of the year ended 31 December 2010 to the Shareholders by way of a scrip dividend with cash alternative as announced by the Company on 25 March 2011, which is subject to the approval by the Shareholders at the annual general meeting of the Company to be held on 31 May 2011
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver respectively
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Borrowers”	Credit Suisse Securities (Europe) Limited and Deutsche Bank AG (acting through its London Branch), being borrowers of the Lent Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	SRE Investment Holding Limited, a company incorporated in the British Virgin Islands and the controlling Shareholder
“Subscription IBC”	the independent board committee comprising all the independent non-executive Directors, namely Mr. E Hock Yap, Mr. Jiang Xie Fu and Mr. Zhuo Fumin, which has been established by the Company to advise the Independent Shareholders on the Convertible Note Subscription Agreement and the transactions contemplated thereunder
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Whitewash IBC”	the independent board committee comprising one non-executive Director, namely Mr. Jin Bing Rong, and all the independent non-executive Directors, namely Mr. E Hock Yap, Mr. Jiang Xie Fu and Mr. Zhuo Fumin, which has been established by the Company to advise the Independent Shareholders on the Convertible Note Subscription and the Whitewash Waiver

“Whitewash Waiver”	the waiver under Note 1 on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber and persons acting in concert with it to make a general offer to the shareholders of the Company for all issued shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company not already owned or agreed to be acquired by the Subscriber and persons acting in concert with it as a result of the allotment and issue of the Conversion Shares to the Subscriber upon exercise of the conversion rights attached to the Convertible Note causing the lowest collective holding by the Subscriber and persons acting in concert with it of voting rights in the Company in any 12-month period being increased by more than 2%
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
SRE Group Limited
Shi Jian
Chairman

Hong Kong, 6 May 2011

As at the date of this announcement, the Board 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than in respect of the Subscriber and persons acting in concert with it and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement other than opinions expressed by the Subscriber and persons acting in concert with it 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 statement in this announcement misleading.

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

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to the Subscriber and persons acting in concert with it and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement other than opinions expressed by the Company or the Directors 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 statement in this announcement misleading.

In this announcement, RMB has been converted to HK\$ at the rate of RMB1 = HK\$1.19 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.