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SRE GROUP LTD.

SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
AN INVESTMENT PROPERTY THROUGH THE SALE OF
THE ENTIRE ISSUED SHARE CAPITAL OF
GO HIGH INVESTMENTS LIMITED**

THE SALE AND PURCHASE AGREEMENT

On 18 May 2012, the Vendor, a wholly-owned subsidiary of the Company, the Company and the Purchaser entered into the Sale and Purchase Agreement and pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Go High. Go High is an indirect wholly-owned subsidiary of the Company and is the sole beneficial owner of 上海華府天地商舖 (Shanghai Rich Gate Retail Shops*) which comprises the retail units situated in level 1 to 2 and basement 1 located at number 1 to 6 of Lane 222, Madang Road, Shanghai, the PRC. The Property has a total gross floor area of approximately 11,330 square metres with a preliminary valuation of approximately RMB1,075.50 million.

IMPLICATIONS OF THE LISTING RULES

As the applicable ratios in respect of the Disposal are greater than 25% but less than 75% pursuant to Chapter 14 of the Listing Rules, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

* For identification purpose only

Since to the best of the Directors' knowledge and information, and having made all reasonable enquires, no Shareholders have any material interest in the Sale and Purchase Agreement, accordingly, no Shareholders are required to abstain from voting if a general meeting of the Company were to convene to approve the relevant resolution regarding the transactions contemplated under the Sale and Purchase Agreement. The Company has received a written confirmation to approve the Disposal from SRE Investment, the controlling Shareholder which holds 2,515,127,604 Shares with voting rights (representing approximately 50.74% of the issued share capital and voting rights of the Company based on the 4,956,624,507 Shares in issue as at the date of this announcement). Pursuant to Rule 14.44 of the Listing Rules, such written approval from SRE Investment can be accepted in lieu of holding a general meeting by the Company for purpose of approving the Disposal.

A circular containing, among other things, (i) further information on the Sale and Purchase Agreement; (ii) the valuation report on the Property prepared by an independent valuer; and (iii) other disclosure requirements under the Listing Rules will be despatched to the Shareholders on or before 8 June 2012.

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Date

18 May 2012

Parties

- (i) Golden Bright Resources Limited (an indirect wholly-owned subsidiary of the Company) as the vendor;
- (ii) Lotus Holding Company, Ltd. as the purchaser; and
- (iii) the Company, as the guarantor of the Vendor.

The Purchaser is a company incorporated in Cayman Islands with limited liability and is principally engaged in investment holding. To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Subject matter

Pursuant to the terms of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of Go High which owns the Property through its entire equity interest in Shanghai Huajian. The Property, 上海華府天地商舖 (Shanghai Rich Gate Retail Shops*), comprises the retail units situated in level 1 to 2 and basement 1 located at number 1 to 6 of Lane 222, Madang Road, Shanghai, the PRC. The Property has a total gross floor area of approximately 11,330 square metres with a preliminary valuation of approximately RMB1,075.50 million.

Consideration

The Consideration was arrived at after arm's length negotiation among the parties to the Sale and Purchase Agreement based on the preliminary valuation of the Property of approximately RMB1,075.50 million; less (i) the adjusted net liabilities of Shanghai Huajian of approximately RMB546.92 million (based on the unaudited net assets value of Shanghai Huajian excluding the net balance due from the associates of the Vendor and the carrying value of the Properties) as at 31 January 2012; and (ii) the adjusted net liabilities of Go High of approximately HK\$184.50 million which represents the remaining balance of the Shareholder's Loan (which will be replaced by the bank loans procured by the Vendor (as detailed below)). The final Consideration is subject to adjustments with reference to the then audited assets and liabilities of Go High and Shanghai Huajian upon Completion.

The Consideration for the Disposal is RMB378,573,000 which will be settled in USD (based on the exchange rate of USD1.00 for RMB6.3209) and is payable as to:

- (i) RMB352,144,350 on the Completion Date; and
- (ii) the remaining balance of the Consideration of RMB26,428,650 by the end of the third month following the Completion Date.

Major conditions

Completion of the Sale and Purchase Agreement is conditional upon fulfillment of, among other things, the following conditions:

- (i) the passing of the relevant resolutions regarding the entering into of the Sale and Purchase Agreement by the board of directors of the Purchaser;
- (ii) the signing of the relevant instrument of transfer by the Purchaser relating to the Sale Share;
- (iii) the warranties and representations given by the Purchaser under the Sale and Purchase Agreement remaining true, accurate and not misleading in all material aspects;
- (iv) the passing of the relevant resolutions regarding the entering into of the Sale and Purchase Agreement by the board of directors of the Vendor;

- (v) Go High having converted part of its shareholder's loan provided by the Vendor (the "Shareholder's Loan", the balance of which amounted to HK\$351,614,000 as at 31 January 2012) of HK\$167,114,000 into 167,114,000 ordinary shares (the "Additional Shares") of HK\$1 each in the share capital of Go High and the Vendor having provided the relevant evidence to the Purchaser that the Vendor is the sole holder of the Additional Shares;
- (vi) the place of registration of Shanghai Huajian having been changed from Shenyang to Shanghai and all the relevant updated licenses and certificates, including but not limited to, business license, foreign exchange registration certificate, tax certificates and other licenses/permits of Shanghai Huajian having been obtained from the respective government authorities in the PRC;
- (vii) the Purchaser having completed the due diligence review on Go High, Shanghai Huajian and the Property and having been reasonably satisfied the results on such due diligence review;
- (viii) the Vendor having procured:
 - the re-financing of Shanghai Huajian's existing bank loans from a bank designated by the Purchaser; and
 - the financing arrangement of HK\$184,500,000 from a financial institution designated by Go High to repay the remaining balance of the Shareholder's Loan (after the capitalisation as described in (v) above);
- (ix) the Company having provided to the Purchaser the relevant internal approval documents for its entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the announcement, the circular and the shareholder approval of the Company as required under the relevant rules and regulation;
- (x) the warranties and representations given by the Vendor and the Company under the Sale and Purchase Agreement remaining true, accurate and not misleading in all material aspects;
- (xi) there being no material adverse changes in the Company, Go High, Shanghai Huajian and the Property; and
- (xii) the Vendor having obtained/procured the relevant confirmations, consents and agreements (as the case may be).

Save for the conditions (i), (ii) and (iii), the Purchaser shall have the right to waive all or part of the conditions precedent set out in the Sale and Purchase Agreement by giving written notice to the Vendor. Both the Vendor and the Purchaser shall fulfill or procure to fulfill the conditions set out in the Sale and Purchase Agreement on or before the tenth business day prior to 15 July 2012 (or such other date as may be agreed amongst the parties to the Sale and Purchase Agreement from time to time).

Completion

Completion shall take place within five business days when the conditions set out in the Sale and Purchase Agreement have been either fulfilled or waived. The Completion shall be confirmed by written notice between the Vendor and the Purchaser. Upon Completion, the Group will no longer have any interest in Go High and Shanghai Huajian and they will cease to be subsidiaries of the Company. Based on the unaudited adjusted net asset value of Go High and Shanghai Huajian as at 31 January 2012, it is estimated that the Group will record a gain on disposal of approximately RMB94.5 million. However, the exact financial impact on the Group as a result of the Disposal will be subject to the then financial position of Go High and Shanghai Huajian upon Completion.

Guarantee

The Company, as the guarantor under the Sale and Purchase Agreement, has provided guarantee for the performance and obligations of the Vendor under the Sale and Purchase Agreement.

INFORMATION ON GO HIGH, SHANGHAI HUAJIAN AND THE PROPERTY

Go High, an indirect wholly-owned subsidiary of the Company, is principal engaged in investment holding. The principal asset of Go High is its equity interest in Shanghai Huajian. According to the unaudited financial statements of Go High prepared in accordance with the generally accepted accounting principles of Hong Kong, Go High recorded unaudited net loss before and after taxation of approximately HK\$12,000 and HK\$7,000 for the two years ended 31 December 2010 and 2011 respectively. As at 31 December 2011, the unaudited net liabilities value of Go High amounted to approximately HK\$35,000.

Shanghai Huajian is a wholly-owned subsidiary of Go High and is principally engaged in property leasing, management and consulting service in the PRC. The principal asset of Shanghai Huajian is the Property which comprises the retail units situated in level 1 to 2 and basement 1 located at number 1 to 6 of Lane 222, Madang Road, Shanghai, the PRC. The Property has a total gross floor area of approximately 11,330 square metres with a preliminary valuation of approximately RMB1,075.50 million.

According to the audited financial statements of Shanghai Huajian prepared under the PRC accounting standards, Shanghai Huajian recorded (i) net profit before taxation of approximately RMB6.76 million and RMB2.51 million for the two years ended 31 December 2010 and 2011 respectively; and (ii) net profit after taxation of approximately RMB5.96 million and RMB1.88 million for the two years ended 31 December 2010 and 2011 respectively. As at 31 December 2011, the audited net assets value of Shanghai Huajian amounted to approximately RMB368.30 million.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SALE AND PURCHASE AGREEMENT

The Group is an integrated property developer and is principally 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. As an integrated property developer with a number of properties projects at their different stages of development, the Directors have considered that it is key for the Group to optimise its resources to enhance the overall return to the Shareholders. Having considered that (i) the estimated net proceeds from the Disposal (after deducting the relevant fees and expenses) of approximately RMB377.7 million and the repayment of the remaining balance of the Shareholder's Loan upon Completion of HK\$184.5 million (equivalent to approximately RMB150.0 million) will be applied as general working capital of the Group; and (ii) the Disposal will allow the Group to realise its investment in the Property at a gain, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interest of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

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A circular containing, among other things, (i) further information on the Sale and Purchase Agreement; (ii) the valuation report of the Property prepared by an independent valuer; and (iii) other disclosure requirements under the Listing Rules will be despatched to the Shareholders on or before 8 June 2012.

DEFINITIONS

“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”	completion of the Sale and Purchase Agreement
“Completion Date”	date of the Completion
“Consideration”	the consideration of RMB378,573,000 (subject to adjustment) to be satisfied by the Purchaser for the acquisition of the Sale Share under the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Go High”	Go High Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“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 of Hong Kong Limited
“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
“Property”	上海華府天地商鋪 (Shanghai Rich Gate Retail Shops*), the retail units situated in level 1 to 2 and basement 1 located at number 1 to 6 of Lane 222, Madang Road, Shanghai, the PRC with a total gross floor area of approximately 11,330 square metres
“Purchaser”	Lotus Holding Company, Ltd., a company incorporated in Cayman Islands with limited liability
“Sale and Purchase Agreement”	the agreement, dated 18 May 2012, entered into between the Vendor, the Purchaser and the Company in relation to the sale and purchase of the Sale Share

“Sale Share”	the one share in the issued share capital of Go High, representing the entire issued share capital of Go High
“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)
“Shanghai Huajian”	上海華建商業管理有限公司 (Shanghai Huajian Commercial Management Company Limited*), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of Go High
“SRE Investment”	SRE Investment Holding Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Golden Bright Resources Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	the lawful currency of the United States of America
“%”	per cent.

By order of the Board
SRE Group Limited
Shi Jian
Chairman

Hong Kong, 18 May 2012

For the purpose of this announcement, the conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.23 to RMB1 for illustration purpose only.

As at the date hereof, the Board comprises seven executive directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong, Mr. Shi Pin Ren, Mr. Zhang Hongfei and Mr. Shi Lizhou; two non-executive directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong and four independent non-executive directors, namely Mr. Jiang Xie Fu, Mr. E Hock Yap, Mr. Zhuo Fumin and Mr. Yuan Pu.

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