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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 AND CONNECTED TRANSACTION  
EXERCISE OF CALL OPTION AND  
ACQUISITION OF AN INDIRECT 40% INTEREST  
IN HUARUI ASSET MANAGEMENT**

**THE ACQUISITION**

References are made to the Company's announcement dated 10 February 2010 and circular dated 10 March 2010 in relation to the Previous Acquisition of the entire issued share capital of Big Prime and the granting of the Call Option by the Vendor to the Purchaser to require the Vendor to sell or procure the sale to the Purchaser and/or its nominee up to 40% of the equity interest in Huarui Asset Management.

After trading hours on 28 December 2012, the Purchaser has notified the Vendor that it has decided to exercise the Call Option to acquire the Option Interest, representing 40% of the equity interest in Huarui Asset Management. In that connection, the Acquisition Agreement was entered into after trading hours on 28 December 2012 between the Vendor and the Purchaser whereby the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and the Loan for a total Consideration of approximately HK\$678,000,000.

## **LISTING RULES IMPLICATIONS AND WAIVER APPLICATION**

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to approval by the Shareholders. Furthermore, as the Vendor is a substantial shareholder (as defined under the Listing Rules) of Huarui Asset Management, a 60% indirectly owned subsidiary of the Company, the Vendor is a connected person of the Company under the Listing Rules. As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% and the Consideration for the Acquisition is more than HK\$10,000,000, the Acquisition also constitutes a connected transaction for the Company subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Subject to the fulfillment of certain conditions, written Shareholders' approval may be accepted in lieu of holding a special general meeting of the Company to approve the Acquisition pursuant to Rules 14.44 and 14A.43 of the Listing Rules. In relation thereto, the Directors hereby confirm that (i) no Shareholder is required to abstain from voting on the Acquisition if the Company were to convene a special general meeting for the approval of the Acquisition; (ii) written shareholder's approval on the Acquisition has been obtained from Mr. Shi Jian, the controlling Shareholder holding 3,141,443,943 Shares, representing approximately 55.46% of the Company's issued share capital as at the date of this announcement; and (iii) save for the common interest of Mr. Shi Jian and the Vendor in Huarui Asset Management, they have no other relationship and are not otherwise connected with each other. In that connection, the Company has made an application to the Stock Exchange for a waiver in respect of the holding of a special general meeting of the Company to approve the Acquisition. Further information regarding the waiver application will be set out in the circular to be despatched to the Shareholders.

## **GENERAL**

A circular containing, among other things, further details relating to (i) the Acquisition; (ii) the letter from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) the accountants' reports on the Subject Company and Huarui Asset Management; (v) the valuation report on the Retail Property; and (vi) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 21 January 2013 in accordance with Rules 14.41 and 14A.49 of the Listing Rules.

## **INTRODUCTION**

References are made to the Company's announcement dated 10 February 2010 and circular dated 10 March 2010 in relation to the Previous Acquisition of the entire issued share capital of Big Prime and the granting of the Call Option by the Vendor to the Purchaser to require the Vendor to sell or procure the sale to the Purchaser and/or its nominee up to 40% of the equity interest in Huarui Asset Management.

After trading hours on 28 December 2012, the Purchaser has notified the Vendor that it has decided to exercise the Call Option to acquire the Option Interest, representing 40% of the equity interest in Huarui Asset Management. In that connection, the Acquisition Agreement was entered into after trading hours on 28 December 2012 between the Vendor and the Purchaser whereby the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and the Loan for a total Consideration of approximately HK\$678,000,000.

## **THE ACQUISITION AGREEMENT**

### **Date**

28 December 2012

### **Parties to the Acquisition Agreement**

- (i) Md. Li De E as the Vendor; and
- (ii) Sinopower Investment Limited, a wholly-owned subsidiary of the Company, as the Purchaser.

The Vendor holds an indirect 40% interest in Huarui Asset Management and is accordingly its substantial shareholder (as defined under the Listing Rules). As Huarui Asset Management is an indirect 60% owned subsidiary of the Company, the Vendor is a connected person of the Company under the Listing Rules.

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to dispose (i) the Sale Share, representing the entire issued share capital of the Subject Company; and (ii) the Loan.

### *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 a 40% equity interest in Huarui Asset Management. The principal activity of the Subject Company is the holding of the entire issued share capital of the HK Subsidiary.

### *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 40% equity interest in Huarui Asset Management. The principal activity of the HK Subsidiary 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. It is an indirect 60% owned subsidiary of the Company, with the remaining 40% of its equity interest 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 latest audited financial statements of Huarui Asset Management for the year ended 31 December 2011 (prepared under PRC Generally Accepted Accounting Principles), Huarui Asset Management recorded audited net asset value of approximately RMB142.5 million (approximately HK\$176.7 million) as at 31 December 2011. Huarui Asset Management recorded an audited loss before and after tax of approximately RMB23.0 million (approximately HK\$28.5 million) and approximately RMB52.9 million (approximately HK\$65.6 million) respectively for the two years ended 31 December 2010 and 2011 respectively.

The original cost to the Vendor for the 40% equity interest in Huarui Asset Management was approximately US\$12,774,000 (approximately HK\$99,637,000).

### *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**

The initial total Consideration is approximately HK\$678,000,000 (subject to adjustments including but not limited to deferred tax), of which approximately HK\$579,550,000 is the consideration for the Sale Share and approximately HK\$98,450,000 is the consideration for the Loan. The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor, with reference to, among other things:

- (i) the formula for calculating the consideration for Sale Share as per the terms of the Call Option as follows:

$$\text{Consideration for the Sale Share} = (\text{Valuation of the Retail Property} - \text{total liabilities of Huarui Asset Management}) \times 40\% \times 90\%$$

- (ii) the preliminary valuation of the Retail Property as at 30 November 2012 as indicated by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, of approximately RMB2,720 million (equivalent to approximately HK\$3,373 million).

The Consideration is to be settled by way of the Purchaser producing evidence of payment to the Vendor on or before the 90th day following Completion.

### **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 Company having fulfilled all applicable legal and regulatory requirements in respect of the Acquisition;
- (ii) 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;
- (iii) 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
- (iv) 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) and (iii) 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.

Immediately following 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 in connection with the sale and purchase of the Sale Share and the Loan pursuant to the Acquisition Agreement; and
- (b) 40% 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 10 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 40% of the deferred tax liabilities of Huarui Asset Management as shown in the audited financial statements of Huarui Asset Management for the year ended 30 November 2012, which audited financial statements shall be prepared in accordance with Hong Kong Financial Reporting Standard.

### **INFORMATION ON THE GROUP**

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.

## **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 Huarui Asset Management and the Retail Property. 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 (hence the Retail Property) will be indirectly wholly-owned by the Company. The Directors expect that after obtaining full control in Huarui Asset Management, the Group will be able to operate the Retail Property with higher efficiency and flexibility in terms of overall strategic planning, financial planning and making management decisions. Furthermore, the Consideration is calculated with reference to the formula stipulated under the Call Option which allows a 10% discount on the fair value of the Retail Property (net of liabilities). Accordingly, the Directors consider the Acquisition may bring the prospect of potential appreciation in value of assets.

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

## **LISTING RULES IMPLICATIONS AND WAIVER APPLICATION**

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to approval by the Shareholders. Furthermore, as the Vendor is a substantial shareholder (as defined under the Listing Rules) of Huarui Asset Management, a 60% indirectly owned subsidiary of the Company, the Vendor is a connected person of the Company under the Listing Rules. As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% and the Consideration for the Acquisition is more than HK\$10,000,000, the Acquisition also constitutes a connected transaction for the Company subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Subject to the fulfillment of certain conditions, written Shareholders' approval may be accepted in lieu of holding a special general meeting of the Company to approve the Acquisition pursuant to Rules 14.44 and 14A.43 of the Listing Rules. In relation thereto, the Directors hereby confirm that (i) no Shareholder is required to abstain from voting on the Acquisition if the Company were to convene a special general meeting for the approval of the Acquisition; (ii) written shareholder's approval on the Acquisition has been obtained from Mr. Shi Jian, the controlling Shareholder holding 3,141,443,943 Shares, representing approximately 55.46% of the Company's issued share capital as at the date of this announcement; and (iii) save for the common interest of Mr. Shi Jian and the Vendor in Huarui Asset Management, they have no other relationship and are not otherwise connected with each other. In that connection, the

Company has made an application to the Stock Exchange for a waiver in respect of the holding of a special general meeting of the Company to approve the Acquisition. Further information regarding the waiver application will be set out in the circular to be despatched to the Shareholders.

## **GENERAL**

A circular containing, among other things, further details relating to (i) the Acquisition; (ii) the letter from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) the accountants' reports on the Subject Company and Huarui Asset Management; (v) the valuation report on the Retail Property; and (vi) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 21 January 2013 in accordance with Rules 14.41 and 14A.49 of the Listing Rules.

## **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 28 December 2012 entered into between the Vendor and the Purchaser pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share and the Loan
“Big Prime”	Big Prime Limited, a company incorporated in the BVI, an indirect wholly-owned subsidiary of the Company, being the subject of the Previous Acquisition
“Board”	the Board of Directors
“BVI”	the British Virgin Islands
“Call Option”	the call option granted by the Vendor to the Purchaser under the acquisition agreement dated 10 February 2010 in relation to the Previous Acquisition to require the Vendor to sell or procure the sale to the Purchaser and/or its nominees up to 40% equity interest in Huarui Asset Management (the exercise period of which as extended by the parties thereto)
“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 fifth 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 initial total consideration for the Acquisition in the amount of approximately HK\$678,000,000 (subject to adjustments including but not limited to deferred tax), comprising approximately HK\$579,550,000 for the Sale Share and approximately HK\$98,450,000 for the Sale Loan
“Director(s)”	the directors of the Company
“Golden Corridor”	a project initiated by the government of the city of Shenyang, Liaoning, 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 an indirect 60% owned subsidiary of the Company with the remaining 40% equity interest indirectly owned by the Subject Company as at the date of this announcement
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Jiang Xie Fu, Mr. Zhuo Fumin, Mr. Yuan Pu and Mr. Chan, Charles Sheung Wai, established to advise the Independent Shareholders in relation to the Acquisition
“Independent Shareholder(s)”	Shareholder(s) who are not prohibited from voting under the Listing Rules to approve the Acquisition Agreement
“Listing Rules”	the 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\$12,621,795 (approximately HK\$98,450,000) which is outstanding and being owed by the Subject Company to the Vendor as at the date of the Acquisition Agreement and will, upon Completion, be owed to the Purchaser
“Long Stop Date”	30 June 2013 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
“Option Interest”	such equity interest in Huarui Asset Management to be purchased by the Purchaser and/or its nominee pursuant to each exercise of the Call Option
“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
“Previous Acquisition”	the previous acquisition of a 100% interest in Big Prime, which holds an indirect 9% equity interest in Huarui Asset Management, the details of which are set out in the Company’s announcement dated 10 February 2010 and circular dated 10 March 2010
“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 located in Shenyang, Liaoning Province, the PRC
“Sale Share”	1 share of US\$1 in the Subject Company, representing the entire issued share capital of the Subject Company
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Company”	Gao Feng Limited, a company incorporated in the BVI, being the subject under the Acquisition

“Subject Group”	the Subject Company, the HK Subsidiary and Huarui Asset Management
“Vendor”	Md. Li De E (李德娥), who, by way of her indirect interest in Huarui Asset Management through the Subject Company, is a connected person of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“sq.m.”	squared meter
“%”	per cent

By Order of the Board  
**SRE Group Limited**  
**Shi Jian**  
*Chairman*

Hong Kong, 28 December 2012

*As as the date of this announcement, the Board comprises (i) six executive Directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong, Mr. Zhang Hong Fei and Mr. Shi Li Zhou; (ii) two non-executive Directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong; and (iii) four independent non-executive Directors, namely Mr. Jiang Xie Fu, Mr. Zhuo Fumin, Mr. Yuan Pu and Mr. Chan, Charles Sheung Wai.*

*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 approximately RMB1 = HK\$1.24 and US\$ has been converted to HK\$ at the rate of approximately US\$1 = HK\$7.8 for illustration purpose only. No representation is made that any amounts in RMB, US\$ or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.*

\* *For identification purpose only*