THIS CIRCULAR IS IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SRE Group Limited (the "**Company**"), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

川盟融資有限公司
Chanceton Capital Partners Limited

A letter from the Board is set out on pages 5 to 16 of this circular.

A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 17 of this circular.

A letter from Chanceton Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 40 of this circular.

* *for identification purpose only*

21 February 2013

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"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
"associates"	has the meaning as defined under the Listing Rules
"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)
"Chanceton Capital"	Chanceton Capital Partners Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"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" in the "Letter from the Board" of this circular
"Consideration"	the total consideration for the Acquisition in the amount of HK$650,000,000, comprising HK$550,341,608 for the Sale Share and HK$99,658,392 for the Loan
"Director(s)"	the directors of the Company
"Enlarged Group"	collectively the Group and the Subject Group
"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 Latest Practicable Date
"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
"Latest Practicable Date"	19 February 2013, being the latest practicable date for ascertaining certain information in this circular before printing of this circular

"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 approximately HK$99,658,392 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
"Net Assets"	the net assets (excluding deferred tax liabilities) of Huarui Asset Management as at 30 November 2012
"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 circular, 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

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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
"km"	kilometer
"sq.km"	square km
"m"	meter
"sq.m"	square meter
"%"	per cent

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

In this circular, 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$7.8 for illustration purpose only. No representation is made that any amounts in RMB, HK$ or US$ have been, could have been or could be converted at the above rate or at any other rates or at all.

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

Executive Directors:
Mr. Shi Jian
Mr. Li Yao Min
Mr. Yu Hai Sheng
Mr. Jiang Xu Dong
Mr. Zhang Hong Fei
Mr. Shi Li Zhou

Non-executive Directors:
Mr. Cheung Wing Yui
Mr. Jin Bing Rong

Independent non-executive Directors:
Mr. Jiang Xie Fu
Mr. Zhuo Fumin
Mr. Yuan Pu
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Hong Kong

21 February 2013

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

References are made to (i) the Company's announcement dated 10 February 2010 in relation to the Previous Acquisition and the Call Option; (ii) the Company's circular dated 10 March 2010 in relation to the Previous Acquisition and the Call Option; and (iii) the Company's announcement dated 28 December 2012 in relation to the Acquisition.

* *for identification purpose only*

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 HK$650,000,000.

2. THE CALL OPTION

As stated in the Company's circular dated 10 March 2010 issued in connection with the Previous Acquisition, the Vendor has granted the Call Option to the Purchaser pursuant to which the Purchaser may purchase up to 40% of the equity interest in Huarui Asset Management during a 2-year period ended May 2012. The Purchaser's right to acquire up to a 40% interest in Huarui Asset Management is non-exclusive in nature but the Vendor has also given the Purchaser the right of first refusal in respect of the acquisition of the 40% interest in Huarui Asset Management. Pursuant to the terms of the right of first refusal, the Company is required to confirm its decision to acquire the Option Interest within 14 business days from the Vendor's notification to the Purchaser that a third party is interested and ready to acquire the Option Interest. The Vendor will otherwise be allowed to sell the Option Interest to the third party identified under the notice. In late 2011, the Vendor approached the Purchaser and indicated that a third party expressed interest in acquiring the Option Interest. As the Purchaser was not ready to immediately proceed with the acquisition of the Option Interest, in order to show its sincerity to acquire the Option Interest and to procure the Vendor to refrain from considering offers from other third parties regarding the acquisition of the Option Interest before the Call Option expires, the Purchaser has entered into a memorandum of understanding (the "**MOU**") dated 10 November 2011 with the Vendor and subsequently paid an earnest money in the amount of HK$192,000,000 to the Vendor, an arrangement which was not specified under the terms of the Previous Acquisition. The MOU does not bind the Purchaser to purchase the Option Interest, and the earnest money is refundable to the Purchaser upon its request and shall be immediately refunded to the Purchaser in the event that the purchase does not take place. So long as the Purchaser has not required for the refund of the earnest money, the Vendor will not consider selling the Option Interest to any third party. Since then, the Vendor and the Purchaser have been discussing in good faith regarding the terms of the Acquisition and prior to the original expiry date of the Call Option, the parties thereto have, on 9 May 2012, agreed to extend the expiry date to 31 December 2013.

3. 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 Latest Practicable Date, 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.

Set out below is certain summary financial information of the Subject Company as extracted from the accountants' report of the Subject Company for the three years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012 set out in Appendix II to this circular.

	25 November to 31 December 2009	For the year ended 31 December 2010	2011	For the eleven months ended 30 November 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	–	–	–	–
Profit/(loss) before income tax	4,558	(66,507)	(37,768)	(15)
Profit/(loss) attributable to owners of the Subject Company	4,558	(66,507)	(37,768)	(15)
Net assets/(liabilities) attributable to owners of the Subject Company (as at year/period end)	4,558	(61,949)	(99,717)	(99,732)

Information on the HK Subsidiary

The HK Subsidiary is an investment holding company incorporated in Hong Kong on 18 May 2009. As at the Latest Practicable Date, 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 Latest Practicable Date, the principal asset of Huarui Asset Management is the Retail Property and its principal activity is the operation and management of the Retail Property.

Set out below is certain summary financial information of Huarui Asset Management as extracted from the accountants' report of Huarui Asset Management for the three years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012 set out in Appendix II to this circular.

	For the year ended 31 December			For the eleven months ended 30 November
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	28,439	39,583	44,289	43,889
Profit / (loss) before income tax	277,112	(171,652)	(79,422)	(137,241)
Profit / (loss) attributable to owners of Huarui Asset Management	188,207	(138,626)	(92,600)	(131,669)
Net assets attributable to owners of Huarui Asset Management (as at year/period end)	1,327,585	1,188,959	1,096,359	1,021,690

The original cost to the Vendor for the 40% equity interest in Huarui Asset Management acquired on 7 December 2009 was approximately US$12,774,000 (approximately HK$99,637,000) (the "**Original Cost**"). The Directors note that the Consideration represents an approximately 552.37% premium over the Original Cost. Having considered that the Original Cost does not reflect the appraised value of the Retail Property as per the valuation report set out in Appendix IV to this circular, the Directors consider the Original Cost to be irrelevant within the discussion of the terms of the Acquisition.

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. and a total lettable area of approximately 121,261 sq.m. The first basement level and first to fifth floors of Rich Gate Shopping Mall are for retail use whereas car parking spaces are situated at the second basement level and the first floor of Rich Gate Shopping Mall. As at 30 November 2012, the occupancy rate of the Retail Property was approximately 83%. Based on the tenancy agreements of the Retail Property entered into as at 30 November 2012, average monthly rental rate of the Retail Property is approximately RMB42.2 (equivalent to approximately HK$52.3) per sq.m. exclusive of management fees, water and electricity charges. As per note 8.c. to the valuation report on the Retail Property set out in Appendix IV to this circular, the Retail Property is subject to a mortgage as at 31 December 2012. The Directors confirm that the Acquisition is not subject to approval of the mortgagee.

The Retail Property is located in Shenyang's Golden Corridor business circle which is the Central Metropolis Corridor of Shenyang, which mainly comprises commercial properties and public service buildings. The span of Shenyang Golden Corridor has been extending on its two ends, with the current plan covering a total length of 30 km and an area of around 75 sq.km. The Golden Corridor begins in the south at the southern border of Hunnan New District and ends in the north at Pu River New Town of Shenbei New District, spanning across six administration districts and development districts including Hunnan, Heping, Shenhe, Huanggu, Yuhong and Shenbei. As a commercial brand of the city, the Golden Corridor has become the important vehicle for attracting merchants and investors for Shenyang. The Golden Corridor has excellent geographical advantage, solid industrial base and huge market, and has increasingly become the favourite of strategic investors. Shenyang Golden Corridor stands at the entrance to the city and right at the mouth of an expressway. Its development is also aimed at better showcasing the cityscape of Shenyang.

It is stated that the Retail Property is of strategic importance to the Group's commercial property portfolio in the section headed "Reasons for and benefits of the Acquisition" for the following reasons:

1. *Location and supporting infrastructure*

The Retail Property is situated in a premium geographical location readily accessible to a crisscross transport network with Metro line 2 in the vicinity. Subway attracts a high flow of people, and each subway exit is usually capable of attracting customer flow and business flow from its surrounding areas. Subway network exerts its influence by attracting customers and business from an increasingly expanded area.

2. *Situated within a central business district*

The Retail Property is located at the North Station business district, one of the three major central business districts of Shenyang. The business district is situated at the intersection of main transport routes running from north to south and from east to west, and also at the borders of four major administration districts of the city. It can be reached by 6 provincial highways and 5 national highways. It is approximately just 600 m from the Shenyang North Railway Station and approximately 20 km from the Taoxian Airport, and it is in the vicinity of Metro line 2. The North Station business district is becoming mature, with the presence of renowned global brands and a concentration of middle and high income group as well as mid- and high-end residential buildings.

3. *Benefits from government policies under the 11th Five-year Plan*

The importance of the Golden Corridor is well established since the 11th Five-year Plan (the "**Plan**") for 2006 to 2010. Under the guidance of the Plan, Shenyang is going to be developed into a trade, logistics and financial hub for the north eastern region of the PRC, with the Golden Corridor to be developed into a zone for commerce and trade industries. Therefore, various large enterprises have moved into the area, aiming at riding on the potentials and the prosperity of the Golden Corridor.

The Consideration

The total Consideration is HK$650,000,000, of which HK$550,341,608 is the consideration for the Sale Share and HK$99,658,392 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 as per the terms of the Call Option as follows:

Consideration = Net Assets x 40% x 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.

Having considered (i) the Consideration was calculated as per the terms of the Call Option which allows a 10% discount on the Net Assets attributable to the Sale Share; and (ii) factors discussed in the section headed "Reasons for and benefits of the Acquisition" in this letter, the Directors consider the Consideration is fair and reasonable.

The Consideration is to be settled by way of (i) the earnest money in the amount of HK$192,000,000 paid to the Vendor in November 2011; and (ii) the remaining balance of approximately HK$458,000,000 by cash on or before Completion. As at the Latest Practicable Date, none of the remaining balance of the Consideration has been paid to the Vendor.

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.

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.

4. INFORMATION OF 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.

5. 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. Besides, 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. With the positive outlook of the Golden Corridor project in Shenyang, the Directors consider the Acquisition may bring the prospect of potential appreciation in value of assets. In addition, the Consideration is calculated with reference to the formula stipulated under the Call Option which allows a 10% discount on the Net Assets that is beneficial to the Group.

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. As at the Latest Practicable Date, the board of directors of Huarui Asset Management included three members with two of the directors nominated by the Group and the remaining director nominated by the Vendor. Although the Vendor only has a minority stake in Huarui Asset Management and a minority representation in its board of directors, various decision making processes of Huarui Asset Management are still subject to the Vendor's opinions and/or consent. As a result of this existing structure, certain decisions or policies initiated by the Group may not be always implemented in a timely manner or at all. Upon Completion, the Directors expect that the decision making process of Huarui Asset Management's board of directors can be streamlined in the Group's favour therefore improving the overall operating efficiency of Huarui Asset Management where decisions or policies which the Group considers as expedient can be implemented without undue hindrance. After obtaining full control over the board of directors of Huarui Asset Management by the Group following Completion, its board of directors will commence a review of the Retail Property's operations with the aim of formulating plans and strategies to improve its profitability. Certain specific plans that may be considered include: (i) improve overall rental income and occupancy rates by readjusting rental rates for different types of tenants so as to retain existing tenants and attract new ones, and provide incentives for certain anchor tenants for them remain at the Retail Property; (ii) enhance tenancy management by improving risk management and credit management; (iii) enhance promotional programs such as membership card incentive program for retail consumers to enhance attractiveness of the Retail Property and increase people flow; (iv) increase marketing efforts by partnering with local media outlets to provide promotional coverage on the Retail Property's latest developments, improve the website of the Retail Property, to provide better services under the membership card incentive program, and organize promotional events to enhance exposure and awareness of the Retail Property; and (v) enhance tenant and customer relationship management, i.e. improve services for the Retail Property's tenants by better understanding their needs and their operations, and closely monitor quality of services provided by the property management staff aiming at enhancing retail consumers satisfaction.

Given the above, the Directors (excluding the independent non-executive Directors who have expressed their view in their letter to the Independent Shareholders contained in this circular) 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.

6. FINANCIAL EFFECT OF THE ACQUISITION

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

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the Group had total assets of approximately HK$44,057.22 million. After pro forma adjustments, the unaudited pro forma total assets of the Enlarged Group would decrease to approximately HK$43,353.24 million. Furthermore, the Group had total liabilities of approximately HK$30,727.01 million. After pro forma adjustments, the unaudited pro forma total liabilities of the Enlarged Group would remain about the same level at approximately HK$30,727.09 million. The details of the financial effect of the Acquisition on the financial position together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix III to this circular.

As set out in the paragraph headed "Information on Huarui Asset Management" under the section "Assets to be acquired" above, Huarui Asset Management recorded audited net loss of approximately RMB131.67 million (equivalent to approximately HK$163.27 million) for the eleven months ended 30 November 2012. Based on the above, the Directors believe that the Acquisition and would have an immediate negative impact on the Group's earnings attributable to owners of the Company upon Completion.

7. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon Completion, the Enlarged Group will gain complete control on Huarui Asset Management and the Retail Property. As explained in the section headed "Reasons for and benefits of the Acquisition" above, the Directors expect that the Enlarged 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. Although Huarui Asset Management has been loss making during the two years ended 31 December 2010 and 2011 and the eleven months ended 30 November 2012, the Directors expect that when Huarui Asset Management can achieve higher operating efficiency post-Completion, its operations may become profitable therefore making a positive contribution to the Enlarged Group's results.

8. LISTING RULES IMPLICATIONS

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 dated 28 December 2012 has been obtained from Mr. Shi Jian, the ultimate controlling Shareholder who can exercise control over 2,950,423,443 Shares, representing approximately 52.08% of the Company's issued share capital as at the Latest Practicable Date (3,141,443,943 Shares representing approximately 55.46% of the Company's issued share capital as at 28 December 2012); 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, and the Stock Exchange has granted, a waiver in respect of the holding of a special general meeting of the Company to approve the Acquisition.

None of the Directors had a material interest in the Acquisition and accordingly, none of them were required to abstain from voting on the board resolution approving the Acquisition.

9. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By Order of the Board
SRE Group Limited
Shi Jian
Chairman

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

21 February 2013

To the Independent Shareholders

Dear Sir or Madam,

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

We have been appointed as members of the Independent Board Committee to advise you in connection with the Acquisition, the details of which are set out in the "Letter from the Board" in the circular issued by the Company to the Shareholders dated 21 February 2013 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Your attention is drawn to the "Letter from the Board" in the Circular, the advice of Chanceton Captial in its capacity as the independent financial adviser to the Independent Shareholders and the Independent Board Committee in respect of the Acquisition as set out in the "Letter from Chanceton Capital" in the Circular (the "**Letter**"), as well as other additional information set out in other parts of the Circular.

We acknowledge that the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the requirement to hold a general meeting to approve the Acquisition pursuant to Rule 14A.43 of the Listing Rules.

Having taken into account the advice of, and the principal factors and reasons considered by Chanceton Capital as stated in the Letter, we consider that the Acquisition is fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, we would recommend you to vote in favour of the resolution(s) to approve the same if a physical general meeting of the Company were to be held.

Yours faithfully,
The Independent Board Committee of
SRE Group Limited

Mr. Jiang Xie Fu *Independent non-executive Director*	**Mr. Zhuo Fumin** *Independent non-executive Director*
Mr. Yuan Pu *Independent non-executive Director*	**Mr. Chan, Charles Sheung Wai** *Independent non-executive Director*

* *for identification purpose only*

The following is the full text of a letter of advice from Chanceton Capital to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition which has been prepared for the purpose of inclusion in this circular.

川盟融資有限公司
Chanceton Capital Partners Limited

Unit A, 23/F, CMA Building
64-66 Connaught Road Central
Hong Kong

21 February 2013

To the Independent Board Committee and
the Independent Shareholders of SRE Group Limited

Dear Sir/Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company in relation to the Acquisition, details of the Acquisition are set out in the letter from the Board (the "Board Letter") contained in this circular (the "Circular") dated 21 February 2013 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise required by the context.

On 28 December 2012 (after trading hours), 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 connection, the Purchaser and the Vendor entered into the Acquisition Agreement on 28 December 2012 (after trading hours) whereby the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Share and the Loan for a total consideration of HK$650,000,000 at Completion. The Consideration consists of HK$550,341,608 for the Sale Share and HK$99,658,392 for the Loan.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval of the Shareholders by way of poll at general meeting pursuant to the Listing Rules. Further, as the Vendor is a substantial shareholder (as defined under the Listing Rules) of the Huarui Asset Management, a 60% owned subsidiary of the Company, the Vendor is a connected person of the Company as defined under the Listing Rules. As one of the relevant percentage ratio 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 therefore 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 dated 28 December 2012 has been obtained from Mr. Shi Jian, the ultimate controlling Shareholder who can exercise control over 2,950,423,443 Shares, representing approximately 52.08% of the Company's issued share capital as at the Latest Practicable Date (3,141,443,943 Shares representing approximately 55.46% of the Company's issued share capital as at 28 December 2012); 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, and the Stock Exchange has granted, a waiver in respect of the holding of a special general meeting of the Company to approve the Acquisition.

The Independent Board Committee comprising Mr. Jiang Xie Fu, Mr. Zhuo Fumin, Mr. Yuan Pu and Mr. Chan, Charles Sheung Wai, being the independent non-executive Directors, has been established to make recommendations to the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are fair and reasonable and whether the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

We, Chanceton Capital Partners Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, and to make recommendations as to, among others, whether the terms and conditions of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Our appointment has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company, including (i) the Circular; (ii) the Acquisition Agreement; (iii) the valuation report of the Retail Property ("Property Valuation") prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Independent Valuer"); (iv) the annual report and interim report of the Company for the year ended 31 December 2011 and the six months ended 30 June 2012 respectively; and (v) the legal opinion provided by Yan Yiming Law Firm. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any such statement contained in the Circular, including this letter, misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, SRE Group Limited and its subsidiaries, and their respective associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into careful consideration:

1. Information on the Group

(a) Business of the Group

The Group is an integrated property developer specializing development and sale of medium-to-high-end residential and commercial properties in Shanghai, Shenyang and Haikou.

(b) Financial information of the Group

The table below summaries the unaudited consolidated financial information of the Group as extracted from the Company's interim report for the six months ended 30 June 2012 (the "2012 Interim Report"):

Table A – Summary of the unaudited consolidated income statement of the Group

	Six months ended 30 June 2012 *HK$'000* *(unaudited)*	**Six months ended 30 June 2011** *HK$'000* *(unaudited)*
Revenue	1,992,112	2,382,651
Gross profit	643,497	638,520
Operating profit	686,715	437,281
Profit before tax	469,182	297,094
Profit for the period	212,595	70,359
Profit attributable to Shareholders	228,856	149,233

Table B – Summary of the unaudited consolidated station of financial position of the Group

	As at 30 June 2012 *HK$'000* *(unaudited)*	**As at 31 December 2011** *HK$'000* *(audited)*
Non-current assets	11,396,016	12,634,376
Current assets	32,661,201	31,021,541
Cash and bank balances	3,082,936	2,521,487
Total assets	44,057,217	43,655,917
Non-current liabilities	10,600,230	13,646,057
Current liabilities	20,126,784	17,035,357
Total liabilities	30,727,014	30,681,414
Net current assets	12,534,417	13,986,184
Total equity	13,330,203	12,974,503
Net assets attributable to Shareholders	10,871,163	10,488,524

During the six months ended 30 June 2012, the Group recorded an unaudited revenue of approximately HK$1,992 million, representing a decrease of approximately 16.39% compared with the unaudited revenue of approximately HK$2,383 million generated in the six months ended 30 June 2011. The decrease in unaudited revenue was mainly due to the decrease in property sales. Unaudited profit attributable to Shareholders amounted to approximately HK$229 million, representing an increase of approximately 53.35% compared with the unaudited profit attributable to Shareholders of approximately HK$149 million recorded for the six months ended 30 June 2011. The increase in unaudited profit attributable to Shareholders was due to the decrease in expenses and the income from the disposal of a subsidiary during the period.

2. Information on the Subject Company and the Retail Property

The Board Letter states that the Subject Company is an investment holding company incorporated in the BVI on 25 November 2009. As at the Latest Practicable Date, 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.

The HK Subsidiary is an investment holding company incorporated in Hong Kong on 18 May 2009. As at the Latest Practicable Date, 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.

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 Latest Practicable Date, the principal asset of Huarui Asset Management is the Retail Property and its principal activity is the operation and management of the Retail Property.

As stated in the Board Letter, the following is the summary financial information of Huarui Asset Management as extracted from the accountants' report of Huarui Asset Management for the three years ended 31 December 2009, 2010, 2011 and the eleven months ended 30 November 2012 as set out in Appendix II of the Circular.

Table C – Summary of the consolidated income statement of Huarui Asset Management

	Year ended 31 December 2009	**Year ended 31 December 2010**	**Year ended 31 December 2011**	**Eleven months ended 30 November 2011**	**Eleven months ended 30 November 2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	28,439	39,583	44,289	40,534	43,889
Gross profit /(loss)	(9,518)	15,230	16,064	15,745	19,666
Operating profit/ (loss)	310,036	(153,429)	(26,105)	(24,355)	(55,900)
Profit before income tax	277,112	(171,652)	(79,422)	(72,233)	(137,241)
Profit/(loss) attributable to owners of Huarui Asset Management	188,207	(138,626)	(92,600)	(84,804)	(131,669)

Table D – Summary of the consolidated station of financial position of Huarui Asset Management

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	2,910,355	2,778,665	2,773,872	2,724,733
Current assets	14,445	97,832	56,414	77,803
Cash and cash equivalents	10,398	7,137	7,929	1,838
Total assets	2,924,800	2,876,497	2,830,286	2,802,536
Non-current liabilities	466,249	1,097,555	1,080,091	1,399,504
Deferred tax liabilities	466,249	433,223	446,401	440,829
Current liabilities	1,130,966	589,983	653,836	381,342
Total liabilities	1,597,215	1,687,538	1,733,927	1,780,846
Net current liabilities	(1,116,521)	(492,151)	(597,422)	(303,539)
Net assets attributable to owners of Huarui Asset Management (as at year/period end)	1,327,585	1,188,959	1,096,359	1,021,690

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. and a total lettable area of approximately 121,261 sq.m. The first basement level and first to fifth floors of Rich Gate Shopping Mall are for retail use whereas car parking spaces are situated at the second basement level and the first floor of Rich Gate Shopping Mall. According to the Property Valuation, as at 30 November 2012, the occupancy rate of the Retail Property was approximately 83%. Based on the tenancy agreements of the Retail Property entered into as at 30 November 2012, average monthly rental rate of the Retail Property is approximately RMB42.2 (equivalent to approximately HK$52.3) per sq.m. exclusive of management fees, water and electricity charges. As per note 8.c. to the valuation report on the Retail Property set out in Appendix IV to this circular, the Retail Property is subject to a mortgage as at 31 December 2012. The Directors confirm that the Acquisition is not subject to approval of the mortgagee.

The Retail Property is located in Shenyang's Golden Corridor business circle which is the Central Metropolis Corridor of Shenyang, which mainly comprises commercial properties and public service buildings. The span of Shenyang Golden Corridor has been extending on its two ends, with the current plan covering a total length of 30 km and an area of around 75 sq.km. The Golden Corridor begins in the south at the southern border of Hunnan New District and ends in the north at Pu River New Town of Shenbei New District, spanning across six administration districts and development districts including Hunnan, Heping, Shenhe, Huanggu, Yuhong and Shenbei. As a commercial brand of the city, the Golden Corridor has become the important vehicle for attracting merchants and investors for Shenyang. The Golden Corridor has excellent geographical advantage, solid industrial base and huge market, and has increasingly become the favourite of strategic investors. Shenyang Golden Corridor stands at the entrance to the city and right at the mouth of an expressway. Its development is also aimed at better showcasing the cityscape of Shenyang.

As stated in the Table C, the unaudited consolidated revenue of Huarui Asset Management for the eleven months ended 30 November 2012 totalled approximately RMB43.89 million. Based on the research report from CB Richard Ellis, an independent full-service real estate services company, the overall vacancy rate for premium retail properties in Shenyang in the third quarter of 2012 was approximately 15.8% and occupancy rate was approximately 84.2%. The occupancy rate of approximately 83% for the Retail Property is justifiable and comparable to the market data as stated in the research report from CB Richard Ellis. The net assets attributable to owners of Huarui Asset Management for the eleven months ended 30 November 2012 was approximately RMB1,021.69 million. The Directors consider that the Retail Property is a strategic investment in the Group's commercial property portfolio and as stated in the Acquisition Agreement, under the tax indemnity by the Vendor will have to reimburse the Purchaser for the taxes to be incurred as a result of the disposal of the Retail Property within the period of 10 years from the Completion Date. Therefore, with the adjustment on the net assets of Huarui Asset Management to exclude the deferred tax liabilities, the Net Assets was approximately RMB1,462.52 million. There has been an increasing trend in the revenue and gross profit of the Retail Property from the year ended 31 December 2009 to the eleven months ended 30 November 2012. The Retail Property had also adjusted and rationalized its mode of operation and rent structure as well as upgraded the shop exteriors during the first half of 2012, the Directors consider that the changes will help to improve the financial performance and the occupancy rate of the Retail Property, through (i) procuring higher rent from tenants, (ii) increasing the lettable area and (iii) increasing numbers of tenants. Through the various aforementioned ways to increase the revenue, we consider that the current financial information does not reflect the future potential of the revenue income.

3. Reasons for and benefits of the Acquisition

A. Overview of economic atmosphere of Shenyang

Shenyang is the capital of Liaoning Province. According to the report from Jones Lang LaSalle IP, Inc., Shenyang is the largest city in Northeast China, the third largest luxury goods market in China and has nearly 2 million sq.m of prime retail space. Gross Domestic Product ("GDP") of Shenyang was approximately RMB591.49 billion in 2011.

Table E – Shenyang GDP and GDP growth

	2007	**2008**	**2009**	**2010**	**2011**
GDP of Shenyang (RMB billion)	315.97	378.09	426.85	501.75	591.49
GDP growth of Shenyang	25.4%	19.7%	12.9%	17.5%	17.9%

Source: Shenyang Statistics Year Book 瀋陽統計年鑑 by Statistics Bureau of Shenyang 瀋陽市統計局

As shown in Table E above, the GDP growth in Shenyang demonstrated a high growth over the past five years. The GDP growth in Shenyang started to rebound from 2010 after the global financial crisis in 2008. Although the global economy had suffered from the financial crisis in 2008, Shenyang's GDP growth still achieved an over 10% growth in the past five years and is at a steady upward trend after the drop in 2008 due to the global financial crisis. The compound annual growth rate ("CAGR") of the GDP in Shenyang from years 2007 to 2011 was approximately 17.0%.

Based on the GDP and GDP growth figures, it indicated a positive economic growth in Shenyang. As illustrated in Table E and Table F, both the GDP and total retail sales have increased markedly throughout the period 2007 to 2011. The GDP of Shenyang in 2007 at approximately RMB315.97 billion was increased to RMB591.49 billion in 2011, representing a compound annual growth rate of approximately 13.4%. Whereas the total retail sales of RMB123.19 billion in 2007 was increased to RMB242.69 billion in 2011, representing a compound annual growth rate of approximately 14.5%. From the above, we conclude that the growth of retail market in Shenyang is consistent with the GDP growth of Shenyang.

It is explicable by the fact that consumption is a composite in the GDP of Shenyang, a robust GDP growth in Shenyang is correlated with strong retail sales of consumer goods. Strong retail sales of consumer goods are expected to benefit corporations and enterprises engaged in retail trade in Shenyang, providing stable demand for retail space and opportunities for higher rental as income source and ultimately a good prospect for the Retail Property. In light of the correlation between the GDP growth, the retail market and the prospect of the Retail Property, we consider that the Retail Property will continue to benefit from the positive economic prospect in Shenyang.

B. Retail industry and commercial property market in Shenyang

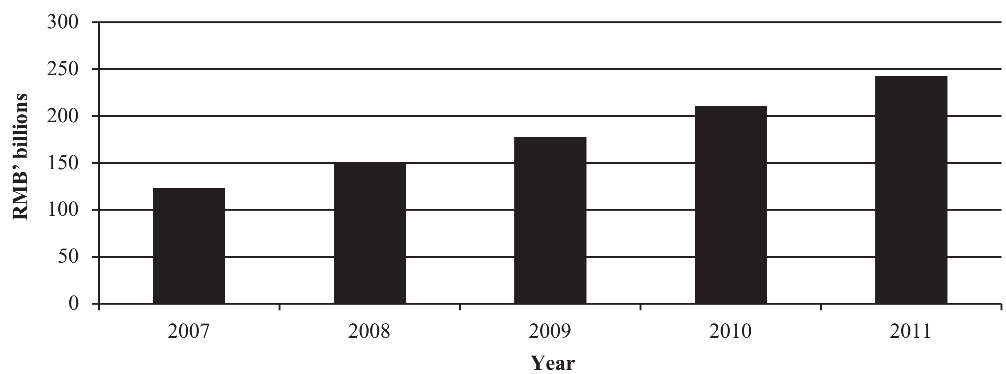
As the Retail Property is a major asset in the Subject Company, we have reviewed the retail industry and commercial property market in the Shenyang. The following table and chart illustrate the total retail sales of consumer goods in Shenyang from years 2007 to 2011.

Table F – Total retail sales of consumer goods in Shenyang

	2007	**2008**	**2009**	**2010**	**2011**
Total retail sales of consumer goods (RMB billion)	123.19	150.55	177.86	210.56	242.69

Source: Shenyang Statistics Year Book 瀋陽統計年鑑 by Statistics Bureau of Shenyang 瀋陽市統計局

Chart A – Total retail sales of consumer goods in Shenyang



Source: Shenyang Statistics Year Book 瀋陽統計年鑑 by Statistics Bureau of Shenyang 瀋陽市統計局

As indicated in Table F and Chart A above, the total retail sales of consumer goods in Shenyang have enjoyed an overall upward trend with a CAGR of approximately 18.5% from the years 2007 to 2011.

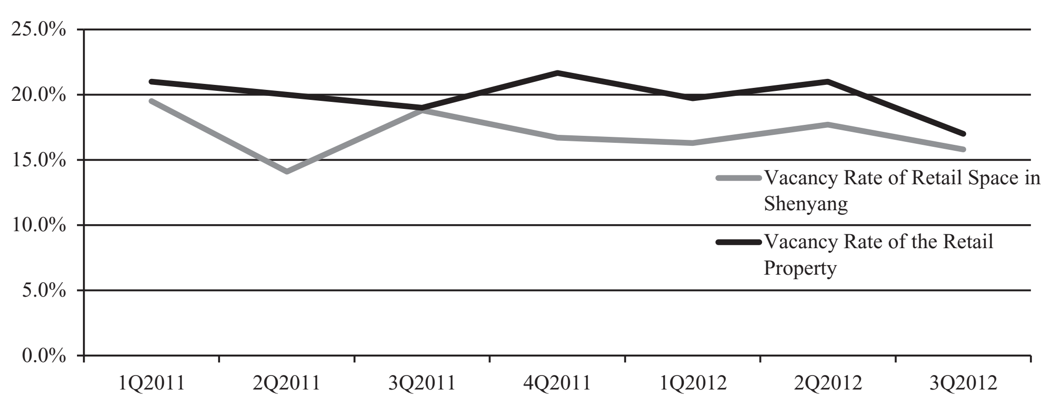
The following tables demonstrates the vacancy rate of retail space in Shenyang and the Retail Property, the total space and rental range in Golden Corridor, and the total retail space for four major districts in Zhongjie Street, Taiyuan Street, Golden Corridor and Hunnan New District.

Table G – Vacancy Rate of Retail Space in Shenyang and the Retail Property

	1Q2011	2Q2011	3Q2011	4Q2011
Vacancy rate of Retail Space in Shenyang	19.5%	14.1%	18.8%	16.7%
Vacancy rate of the Retail Property	21%	20%	19%	21.7%
	1Q2012	**2Q2012**	**3Q2012**	
Vacancy rate of Retail Space in Shenyang	16.3%	17.7%	15.8%	
Vacancy rate of the Retail Property	19.7%	21%	17%	

Source: CBRE Research and Company information

Chart B - Vacancy Rate of Retail Space in Shenyang and the Retail Property



Source: CBRE Research

Table H – Total retail space and rental range in Golden Corridor

	4Q2009	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011
Total Retail Space (sq.m)	435,947	435,947	435,947	435,947	435,947	435,947
Rental range (RMB/sq.m/month)	120 – 420	120 – 420	120 – 420	120 – 420	120 – 420	120 – 420
	2Q2011	**3Q2011**	**4Q2011**	**1Q2012**	**2Q2012**	**3Q2012**
Total Retail Space (sq.m)	685,947	685,947	685,947	685,947	685,947	685,947
Rental range (RMB/sq.m/month)	120 – 1,000	120 – 1,000	120 – 1,000	120 – 1,000	120 – 1,000	120 – 1,000

Source: DTZ Research

Table I – Total retail space for four major districts in Zhongjie Street, Taiyuan Street, Golden Corridor and Hunnan New District

	4Q2009	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011
Total retail space (million sq.m)	0.979*	1.073	1.164	1.273	1.390	1.610

	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012
Total retail space (million sq.m)	1.930	2.030	2.030	2.030	2.435	2.435

Note:* Hunnan New District data was not included in fourth quarter 2009.

Source: DTZ Research

As indicated in Table G and Chart B, the overall vacancy rate of retail space in Shenyang was maintained at a steady level throughout 1Q2011 to 3Q2012 though it was decreased to 15.8% in the third quarter of 2012, approaching the lowest record of second quarter 2011 among the seven quarters from first quarter 2011 to third quarter 2012. There was slight increase in vacancy rate of retail space in third quarter 2011 and second quarter 2012. Whereas in Table I, there was an increase in total retail space in four major districts in Zhongjie street, Taiyuan Street, Golden Corridor and Hunnan New District in the third quarter of 2011 and the second quarter of 2012. When compared to Table I, this explained the slight increase in vacancy rate of retail space was attributable to the increase in total retail space supply in the third quarter of 2011 and the second quarter of 2012. Despite the lowest vacancy rate of 14.1% recorded in the second quarter of 2011, the average quarterly vacancy rate in 2011(Q1-Q4) of 17.3% was still higher than that of 2012(Q1-Q3) of 16.6%. The data are suggestive of a stable vacancy rate for retail space in Shenyang.

Nonetheless, the vacancy rates of the Retail Property as provided by the Company were approximately 52.1%, 24.5%, 25% and 17% for the years ended 31 December 2009, 2010, 2011 and the eleven months ended 30 November 2012 respectively. Since the completion of the Retail Property in 2008 as stated in the Property Valuation, the maturation and development of its leasing business has resulted the gradual decrease in vacancy rate from 2009 to 2012. As illustrated in Table G and Chart B, from the first quarter of 2011 to the third quarter of 2012, the Retail Property has achieved average quarterly vacancy rates of 19.9% that were proximate to the average quarterly vacancy rate of retail space in Shenyang of 17%. Having contemplated the trends of vacancy rate in Shenyang and within the Retail Property, we expect the vacancy rate of the Retail Property will continue to decrease and gradually converge to a favourable that is comparable to that of Shenyang.

A stable demand for retail space was explicable by the steady vacancy rate throughout 1Q2010 to 3Q2012 in spite of the continuous increase in total retail space for four major districts as illustrated in Table I. There were notable increases in total retail space. In 1Q2010, 1Q2011, 1Q2012 and 3Q2012, the total retail space were recorded at 1.07 million sq. meters, 1.61 million sq. meters, 2.03

million sq. meters and 2.44 million sq. meters respectively, representing an increase of approximately 1.36 million sq. meters in the previous three years. Whilst the vacancy rate was kept at a steady level of 16.3%, 17.7% and 15.8% in the first, second and third quarters of 2012 respectively amidst the continuous increase in total retail space is indicative of a good market net absorption in retail space, reinforcing the confidence in a stable demand for retail space in Shenyang.

Comparing in Table H, the total retail space of the Golden Corridor area, where the Retail Property is located, there was no new retail space added since the second quarter of 2011. Also, since the second quarter of 2011, the rental range in Golden Corridor has widened from between RMB 120 and RMB 420 to between RMB 120 and RMB 1,000. The rental structure of the Retail Property includes both fixed rent and fixed rent plus profit sharing with the tenants. The profit sharing proportion of the rental income and hence the rental range of the Retail Property are highly dependent on the business performance of the tenants. The rental range in Golden Corridor may be one of the indicators of rental performance within the area. With the information from the Company, the average monthly rental excluding management fees, water and electricity charges for the Retail Property were approximately RMB1.9 million, RMB3.2 million, RMB3.105 million and RMB4.233 million for the years ended 31 December 2009, 2010, 2011 and the eleven months ended 30 November 2012 respectively. While the leased area of the Retail Property were approximately 58,062.37 sq.m, 91,600.09 sq.m, 90,934.59 sq.m and 100,360.09 sq.m for the years ended 31 December 2009, 2010, 2011 and the eleven months ended 30 November 2012 respectively. This compiles to the average monthly rental per sq.m as approximately RMB32.7, RMB34.9, RMB34.1 and RMB42.2 for the year 2009, 2010, 2011 and the eleven months of 2012 respectively. There was an upward trend for the average monthly rent per sq.m for the Retail Property. From the figures above, it reveals that the average monthly rent per sq.m of the Retail Property in 2009, 2010, 2011 and the eleven months of 2012 were below the rental range in the Golden Corridor. According to the management of Huarui Asset Management, it was due to the fact that (i) during early stage of operation, promotional rents, which was set lower than the market rental range, had been offered to tenants with a view to attract new tenants, and (ii) the profit sharing proportion of rental income has not been fully realised as most tenants, which was offered the profit sharing rental structure at the early stage of operation, have been currently underperforming and in a growing stage.

Having considered (i) the upward trend in occupancy rate of the Retail Property since its commencement of operation, (ii) the upward trend for the monthly rental per sq.m for the Retail Property as stated above, and (iii) the specific plans that may be considered by the Directors to carry out after gaining full control over the board of Huarui Asset Management following the Completion, we are of the view that the rental level of the Retail Property will be gradually in line with the market rental range in the Golden Corridor as the tenants begin to operate more efficiently in the long run. With the renovation and upgrade conducted in 2012, the Retail Property targets to attract more anchor tenants as well as higher-rent tenants. Lastly, it has potential to improve the efficiency with the full control of the operation of the Retail Property and more streamlined and timely decision making on rental arrangement after the Completion, considered by the Company's management.

With consideration of the vacancy rate of retail space in Shenyang and the total retail space supply in four major districts in Zhongjie street, Taiyuan Street, Golden Corridor and Hunnan New District, the vacancy rate of retail space in Shenyang peaked in the first quarter of 2011 at 19.5% and falls a lower range of 16.3%, 17.7% and 15.8% in the first, second and third quarter of 2012 respectively. The decreasing vacancy rate is a signal of stable demand for retail space in the aforementioned area, we are of the view that the Retail Property will continue to enjoy stable demand for retail space. We are also of the view that the Retail Property will continue to enjoy the increase in retail rental income as a result of a falling vacancy rate.

C. Reasons for the Acquisition

As referred to the Board Letter, it stated that given its large scale and prime location in the emerging Shenyang Golden Corridor business circle and its good potential for growth in both rental rates and occupancy, the Board is of the view that the Retail Property is of strategic importance to the Group's commercial property portfolio and the Acquisition will enable the Group to gain full control of the management and operation of the 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. With the positive outlook of the Golden Corridor project in Shenyang, the Directors consider the Acquisition may bring the prospect of potential appreciation in value of assets. In addition, the Consideration is calculated with reference to the formula stipulated under the Call Option which allows a 10% discount on the Net Assets which is beneficial to the Group.

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. As at the Latest Practicable Date, the board of directors of Huarui Asset Management included three members with two of the directors nominated by the Group and the remaining director nominated by the Vendor. Although the Vendor only has a minority stake in Huarui Asset Management and a minority representation in its board of directors, various decision making processes of Huarui Asset Management are still subject to the Vendor's opinions and/or consent. As a result of this existing structure, certain decisions or policies initiated by the Group may not be always implemented in a timely manner or at all. Upon Completion, the Directors expect that the decision making process of Huarui Asset Management's board of directors can be streamlined in the Group's favour therefore improving the overall operating efficiency of Huarui Asset Management where decisions or policies which the Group considers as expedient can be implemented without undue hindrance. After obtaining full control over the board of directors of Huarui Asset Management by the Group following Completion, its board of directors will commence a review of the Retail Property's operations with the aim of formulating plans and strategies to improve its profitability. Certain specific plans that may be considered include: (i) improve overall rental income and occupancy rates by readjusting rental rates for different types of tenants so as to retain existing tenants and attract new ones, and provide incentives for certain anchor tenants for them remain at the Retail Property; (ii) enhance tenancy management by improving risk management and credit management; (iii) enhance promotional programs such as membership card incentive program for retail consumers to enhance attractiveness of the Retail Property and increase people flow; (iv) increase marketing efforts by partnering with local media outlets to provide promotional coverage on the Retail Property's latest developments, improve the website of the Retail Property, to provide better services under the membership card incentive program, and organize promotional events to enhance exposure and awareness of the Retail Property; and (v) enhance tenant and customer relationship management, i.e. improve services for the Retail Property's tenants by better understanding their needs and their operations, and closely monitor quality of services provided by the property management staff aiming at enhancing retail consumers satisfaction.

The Group considers the Retail Property is of strategic importance to the Group's commercial property portfolio for the following reasons:

1. Location and supporting infrastructure

The Retail Property is situated in a premium geographical location readily accessible to a crisscross transport network with Metro line 2 in the vicinity. Subway attracts a high flow of people, and each subway exit is usually capable of attracting customer flow and business flow from its surrounding areas. Subway network exerts its influence by attracting customers and business from an increasingly expanded area.

2. Situated within a central business district

The Retail Property is located at the North Station business district, one of the three major central business districts of Shenyang. The business district is situated at the intersection of main transport routes running from north to south and from east to west, and also at the borders of four major administration districts of the city. It can be reached by 6 provincial highways and 5 national highways. It is approximately just 600 m from the Shenyang North Railway Station and approximately 20 km from the Taoxian Airport, and it is in the vicinity of Metro line 2. The North Station business district is becoming mature, with the presence of renowned global brands and a concentration of middle and high income group as well as mid– and high-end residential buildings.

3. Benefits from government policies under the 11th Five-year Plan

The importance of the Golden Corridor is well established in the 11th Five-year Plan (the "Plan") for 2006 to 2010. Under the guidance of the Plan, Shenyang is going to be developed into a trade, logistics and financial hub for the north eastern region of the PRC, with the Golden Corridor to be developed into a zone for commerce and trade industries. Therefore, various large enterprises have moved into the area, aiming to ride on the potentials and the prosperity of the Golden Corridor.

As stated in the 2012 Interim Report, the Company will continue to enhance the management and operation of its commercial properties, adapt business strategies for such changes, and leverage on its brand name advantages and management capabilities to cope with the changes in market conditions and opportunities arising in commercial properties. As noted in the 2011 annual report of the Company, the Retail Property is one of the four major commercial real estate projects and the area is among the largest in the four major commercial real estate projects. Through obtaining full control and ownership of Huarui Asset Management, the Group can gain full control of Retail Property which is largest in area among the four major commercial real estate projects held by the Group. On the local competitive edge of the Retail Property, we also consider that the Retail Property has locational advantages due to its proximity to the Financial Center Station ("金融中心站") of the Metro line 2 and the Shenyang North Station is also within 1km distance, which provides pedestrian flow for retail business.

As stated in the accountants' report of Huarui Asset Management as set out in Appendix II of the Circular, the audited net loss of Huarui Asset Management increased from RMB84.8 million for the eleven months ended 30 November 2011 to RMB131.7 million for the eleven months ended 30 November 2012. There is a potential increase in loss shared by the Company after the Completion. However, based on the breakdown of the consolidated statement of comprehensive income of Huarui Asset Management, the major causes of the losses were due to the increase in fair value losses and increase in finance costs. The revenue and the gross profit of Huarui Asset Management was increased from year 2009 to November 2012, and the selling and marketing costs and administrative expenses were stable throughout year 2009 to November 2012. For the fair value losses, it was due to the decrease in valuation of the Retail Property. For the fair value loss, it was due to the decrease in the valuation of the Retail Property. According to the information provided by the Independent Valuer, the value of the Retail Property was arrived with reference to the rental income from the Retail Property and various assumptions made, including but not limited to the estimated value of vacant area using the market rental income adopted by market approach as used in the valuation of the Retail Property. As advised by the Independent Valuer, with the decreasing vacancy rate, the estimation on the value of the vacant area of the Retail Property has become less weighed in the valuation of the Retail Property. Due to the fact that the average rental income of the Retail Property is below the market rental income during the early stage of operation, which was attributable to (i) a number of existing tenancies have long term leasing contracts and the rental levels of those tenancies are lower than the market rental level; and (ii) the leasing strategy of the Retail Property was changed with rental concessions so as to attract more anchor tenants entered into the subject property, following (a) the decrease in the proportion of vacant area as tenants were attracted to enter the Retail Property by offering concessional rental package and/or profit sharing clauses and (b) the proportion of the value of the occupied area, the value of which was determined using a lower-than-market rental income with reference to the existing leasing contracts increased in the valuation of the Retail Property, the valuation decreased given the difference between the rental income of the Retail Property and market rental income of the nearby area. For the finance costs, the increase was due to the increase in loan, which incurred increase in finance costs. After the discussion with the Company's management, the nature of the loan is a mortgage loan, which the finance costs will decrease from time to time, together with the decrease of the principal of the loan. As a result, with the improvement in revenue, gross profit, the increase in the value of the Retail Property and the decrease in the finance costs, the financial performance of Huarui Asset Management will improve. We consider that the future rental income and profit generated by the Retail Property will be fully realised by the Company after the Completion, and we concur with the Board's view that the Retail Property is of strategic importance to the Group's commercial property portfolio. The full control of the Retail Property allows the Group to leverage on its management expertise in commercial properties to ascertain higher efficiency and flexibility. With reference to Shenyang economic data, commercial properties vacancy rate and Golden Corridor rental range, the rental income generated by the Retail Property is expected to increase over the years. Upon Completion of the Acquisition, the Group will gain full control and ownership of the Retail Property of which is an important component in the Group's commercial property portfolio due to its large area compare with other commercial properties under the Group. Therefore, we consider that the Retail Property is of specific strategic importance to the Group's commercial property portfolio for as long as the management of the Company will actively seek to improve efficiency and flexibility of Huarui Asset Management in terms of overall strategic planning, financial planning and making management decisions.

Referring to the section headed "3.D.(ii) Basis of determining the consideration", the Consideration is at approximately 0.4% discount to the calculated consideration according to the formula used to determine the Consideration, which in addition represents a 10% discount on the Net Assets (as defined as net assets of Huarui Asset Management excluding deferred tax liabilities), we consider that the Acquisition will enable the Group to gain the full control of the management and operation of the Retail Property at a consideration which is in the interests of the Company and the Shareholders as a whole.

As stated in the Property Valuation, as at the 30 November 2012, approximately 83% of the total lettable area were leased. As stated in the Table C, the consolidated revenue of Huarui Asset Management for the eleven months ended 30 November 2012 totalled approximately RMB43.89 million. With the positive prospect of the Retail Property as mentioned above in the section headed

"3.A. Overview of economic atmosphere of Shenyang" and "3.B. Retail industry and commercial property market in the Shenyang", and the high occupancy rate and rental income generating for the Retail Property, in addition to the increasing trend on rental income in the "Golden Corridor" area, we are of the view that the Acquisition is expected to bring about positive impact on the Group's future business and financial performance.

D. Major terms of the Acquisition and basis of the consideration

(i) The Acquisition Agreement

The principal terms of the Acquisition Agreement are as follows:

Date:	28 December 2012
Parties:	(1) Md. Li De E, as the Vendor (2) Sinopower Investment Limited, a wholly-owned subsidiary of the Company, as the Purchaser
Consideration and payment:	The total Consideration is HK$650,000,000 of which HK$550,341,608 is the consideration for the Sale Share and HK$99,658,392 is the consideration for the Loan. The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor and was determined by reference to, among other things: (i) the formula for calculating the Consideration as per the terms of the Call Option as follows: Consideration = Net Assets x 40% x 90% (ii) the Property Valuation of the Retail Property as at 30 November 2012 as indicated by the Independent Valuer. The Consideration is to be settled by way of (i) the earnest money in the amount of HK$192,000,000 paid to the Vendor in November 2011; and (ii) the remaining balance by cash on or before Completion.

Completion:	Subject to and conditional upon fulfilment of 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.

(ii) Basis of determining the consideration

As stated in the Board Letter, the total Consideration of HK$650,000,000 was determined based on arm's length negotiation between the parties with reference to, among other things, (i) the formula for calculating the Consideration as per the terms of the Call Option as follows:

Consideration = Net Assets x 40% x 90%

Net Assets is defined as the net assets (excluding deferred tax liabilities) of Huarui Asset Management as at 30 November 2012.

(ii) the Property Valuation of the Retail Property as at 30 November 2012 as indicated by the Independent Valuer.

The Consideration consists of HK$550,341,608 for the Sale Share and HK$99,658,392 for the Loan.

The net assets of Huarui Asset Management as at 30 November 2012 was approximately RMB1,021.69 million, while the Net Assets as defined as net assets of Huarui Asset Management excluding deferred tax liabilities was RMB1,462.52 million. According to the formula for calculating the Consideration as per the terms of the Call Option, the calculated Consideration is approximately RMB526,506,840, which is equivalent to approximately HK$652,868,482. There is an approximately 0.4% discount to the calculated Consideration, compare with the total Consideration of HK$650,000,000 by the Purchaser.

To assess the value of the Retail Property by the Independent Valuer, we have reviewed the Valuation Report and discussed with the Independent Valuer on the valuation approach adopted and assumptions made in valuing the Retail Property. The Independent Valuer advised that the income approach is a commonly adopted approach in determination of the property value. With examination on the adopted valuation approach and assumptions made in valuing the Retail Property, we are of the view that the basis in determining the value of the Retail Property is fair and reasonable to the Company's and Shareholders interests.

In calculating the Consideration, the net assets used has been adjusted to exclude the deferred tax liabilities. Tax liabilities may arise as a result of the disposal of the whole or any part of the Retail Property by Huarui Asset

Management. As the Retail Property is of strategic importance to the Group's commercial property portfolio as stated by the Company's management, we consider that the Company will keep the Retail Property in the Group's commercial property portfolio and currently has no plans to dispose it in the near future. Besides, under the tax indemnity by the Vendor, the Vendor will have to reimburse the Purchaser for the taxes to be incurred as a result of the disposal of the Retail Property within a period of 10 years from the Completion Date. As a result, we consider that it is fair and reasonable to adjust for excluding the deferred tax liabilities in the calculation of the fair value of the Consideration.

The consideration of HK$99,658,392 for the Loan transfers the title of the Loan in the amount of HK$99,658,392 to the Purchaser on a dollar-to-dollar basis.

The Consideration is paid by cash and we have assessed the cash impact of the Acquisition to the Company. As stated in the 2012 Interim Report, the Group recorded unaudited cash and bank balances of approximately HK$ 3,083 million as at 30 June 2012. The total Consideration of HK$650,000,000 represents approximately 21.1% of the Group's unaudited cash and bank balances as at 30 June 2012. We consider that the cash impact arising from the Acquisition is acceptable to the Company.

Having considered the factors mentioned above, we consider that the terms and consideration of the Acquisition are fair and reasonable to the Shareholders of the Company.

E. Financial Impact on the Group

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

(i) Effect on net asset value

As stated in the Board Letter, it has also referred to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III of the Circular, the Group had total assets of approximately HK$44,057.22 million. After pro forma adjustments, the unaudited pro forma total assets of the Enlarged Group would decrease to approximately HK$43,353.24 million. Furthermore, the Group had total liabilities of approximately HK$30,727.01 million. After pro forma adjustments, the unaudited pro forma total liabilities of the Enlarged Group would remain about the same level at approximately HK$30,727.09 million. The details of the financial effect of the Acquisition on the financial position together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix III of the Circular.

The net asset value of the Group as at 30 June 2012 was approximately HK$13,330 million, while the net asset value of the Enlarged Group after pro forma adjustments would decrease to approximately HK$12,626 million, which represents an approximately 5.3% decrease in net asset value. As the decrease is not significant compared with the large assets base of the Group, we consider that the Consideration upon Completion will not significantly impact on the Group's net asset value.

(ii) Effect on working capital

As disclosed in the 2012 Interim Report, the Group had working capital amounted to approximately HK$12,534 million. The Consideration of HK$650,000,000 accounts for approximately 5.2% of the working capital of the Group. As such, we consider that the Consideration upon Completion will not significantly impact on the Group's liquidity.

(iii) Effect on gearing ratio

As disclosed in the 2012 Interim Report, the Group had unaudited total debts of approximately HK$15,413 million, which consisted of (i) interest-bearing bank and other borrowings (non-current portion) of approximately HK$8,035 million; (ii) interest-bearing bank and other borrowings (current portion) of approximately HK$6,274 million; (iii) convertible bonds – host debts of approximately HK$544 million and (iv) guaranteed senior notes of approximately HK$560 million as at 30 June 2012. As stated in the 2012 Interim Report, the Group had unaudited cash and bank balances of approximately HK$3,083 million and unaudited net borrowings, as defined as total borrowings minus cash and bank balances, was approximately HK$12,330 million as at 30 June 2012. The Group's total equity of approximately HK$13,330 million and the unaudited total capital, as defined as total equity plus net borrowing, was approximately HK$25,660 million as at 30 June 2012.

The Group's gearing ratio, as defined as the net borrowings/total capital x 100%, was approximately 48% as at 30 June 2012. According to the unaudited pro forma financial information of the Enlarged Group, the net borrowings calculated as defined above was approximately HK$12,788 million and the unaudited total capital calculated as defined above was approximately HK$25,414 million. The gearing ratio of the Enlarged Group was approximately 50.3%. The increase in gearing ratio was approximately 2.3%, with the sufficient capital base of the Group, we consider that the Consideration has no significant impact on the Group's gearing ratio.

We note that the unaudited cash and bank balances of the Company was approximately HK$3,083 million and the current portion of interest-bearing bank and other borrowings was of approximately HK$6,274 million as at 30 June 2012. After the Completion, the unaudited cash and bank balances will decrease to approximately HK$2,625 million. We consider there is an impact on the Acquisition to the Company's cash reserve when repaying the current portion of interest-bearing bank and other borrowings. However, the unaudited current assets as at 30 June 2012 was of approximately HK$32,661 million. After discussion with the Company's management, they has indicated that they have considered the internal resources of the Company is enough to finance the Acquisition and equity fund raising will be considered only if there is immediate need to finance the current liabilities. As stated in Appendix I, the Directors are of the option that the Group, after taking into account the effect of the Acquisition, and the present internal financial resources available to the Group including internally generated cash flows and the existing banking and credit facilities available, have sufficient working capital for its present requirements in the next 12 months from the date of this Circular in the absence of unforeseen material circumstances. The Directors consider that the Company has sufficient internal finance resources to complete the Acquisition and it will continue to use refinancing as a common practice to resolve any foreseeable liquidity risk on bank borrowings. Given the large assets base of the Company, the Directors believe that it is able to obtain refinancing and other bank facilities for resolving foreseeable borrowings obligations.

(iv) Effect on earnings

As disclosed in the 2012 Interim Report, the unaudited profit attributable to the Shareholders in the six months ended 30 June 2012 was approximately HK$169 million. Huarui Asset Management recorded an audited losses during the two years ended 31 December 2010 and 2011. As stated in the Board Letter, as set out in the paragraph headed "Information on Huarui Asset Management" under the section "Assets to be acquired" above, Huarui Asset Management recorded audited net loss of approximately RMB131.67 million (equivalent to approximately HK$163.27 million) for the eleven months ended 30 November 2012. Based on the above, the Directors believe that the Acquisition and would have an immediate negative impact on the Group's earnings attributable to owners of the Company upon Completion.

However, as stated in the Property Valuation, as at the 30 November 2012, approximately 83% of the lettable area were leased. As stated in the Table C, the consolidated revenue of Huarui Asset Management for the eleven months ended 30 November 2012 totalled approximately RMB43.89 million, which was approximately 8.3% higher than the unaudited revenue of approximately RMB40.5 million recorded in the eleven months ended 30 November 2011. Nevertheless, a gross profit of approximately RMB19.7 million was recorded in the eleven months ended 30 November 2012, which was approximately 24.9% higher than the unaudited gross profit of approximately RMB15.7 million recorded in the eleven months ended 30 November 2011. The Retail Property had been renovated the interior of the Retail Property to increase lettable area for increasing the number of tenants, and renovated the exterior to attract high-end and higher rent tenants. On the software side, the tenant mix had revised to attract more tenants and increase rents. Marketing activities were also conducted to attract flow of people so as to help increasing revenue of the tenants, together with the revenue of the Retail Property through the fixed rent plus profit sharing rental structure. The

Company's management considers that the improvement in revenue and gross profit was attributable to the adjustment and rationalisation of the mode of operation and rent structure of the Retail Property as it has (i) increased the number of tenants, (ii) enlarged the lettable area, and (iii) introduced high-end tenants. The Group's management is of the view that subsequent to the upgrade of the shop exteriors, adjustment and rationalization of the operation and rent structure, the Retail Property will generate positive impact on the Group's earnings.

Given the positive prospect of the Retail Property as mentioned above in the section headed "3.A. Overview of economic atmosphere of Shenyang" and "3.B. Retail industry and commercial property market in the Shenyang", and our understanding from discussions with the management of the Company regarding their plan to keep the Retail Property as investment properties to provide rental income to the Group, we consider that the Acquisition will provide an income source for the Group.

In light of there are:

(i) no significant impact on the net asset value of the Group;

(ii) no significant impact on the working capital of the Group;

(iii) no significant impact on the gearing of the Group; and

(iv) the Retail Property will provide an income source to the Group.

We are of the view that Acquisition will not have a significant financial effect on the Group upon Completion but will have a positive financial effect on the Group in future and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, taken into account the following in arriving at our opinion:

1. the Retail Property is an important strategic investment in the Group's commercial property portfolio, its high occupancy rate and capacity to generate rental income are expected to bring positive impact on the Group's future business and finance performance;

2. the Retail Property will continue to benefit from the positive economic prospect in Shenyang;

3. the Retail Property will continue to benefit from the demand of retail space in Shenyang and benefit from the increase in retail rental income as the demand momentum of retail space increase in the Golden Corridor area, where the Retail Property is located;

4. the terms and consideration of the Acquisition Agreement is fair and reasonable to the Shareholders of the Company;

5. the Acquisition has no significant financial effect to the Company upon Completion and will bring an income source to the Company in the future; and

6. the Enlarged 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 decision.

We acknowledge that the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the requirement to hold a general meeting to approve the Acquisition pursuant to Rule 14A.43 of the Listing Rules.

Having considered the above, we are of the view that the Acquisition is on normal commercial terms and in the ordinary and usual course of the business of the Group. We are of the view that the terms of the Acquisition are fair and reasonable and in the interest of the Company and the Shareholders as a whole. As a result, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution(s) to approve the Acquisition if a physical general meeting of the Company were to be held.

Yours faithfully,
For and on behalf of
Chanceton Capital Partners Limited
Wong Kam Wah
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2009, 2010 and 2011 has been disclosed in the annual reports of the Company for the each of the three years ended 31 December 2009, 2010 and 2011 respectively. The aforementioned reports have been published on both the websites of the Stock Exchange at http://www.hkexnews.hk/ and the Company at http://www.sre.com.cn/.

2. INDEBTEDNESS

I. Borrowings

As at 31 December 2012, being the latest practicable date for this indebtedness statement, the details of the Group's outstanding borrowings are set out below:

		HK$ million
Bank borrowings – Secured	*(a)*	4,001
Other borrowings – Unsecured		154
Guaranteed senior notes	*(d)*	554
Current portion		4,709

		HK$ million
Bank borrowings – Secured	*(a)*	5,011
Other borrowings – Secured	*(b)*	1,945
Other borrowings – Unsecured		40
Convertible bonds	*(c)*	9
Non-current portion		7,005
Total		11,714

(a) As at the close of business on 31 December 2012, the Group's bank borrowings of approximately HK$9,012 million were secured by the pledges of certain bank deposits, leasehold land, investment properties, properties held or under development for sale, property, plant and equipment, part of future property pre-sales proceeds and an equity interest of a subsidiary. In addition, among the above bank borrowings, a bank loan of HK$260 million was secured by pledges of private property held by Mr. Shi Jian, the Chairman of the Company, and Md. Si Xiao Dong, the spouse of Mr. Shi Jian.

(b) As at the close of business on 31 December 2012, the Group's other borrowings of approximately HK$1,945 million were secured by the pledges of certain leasehold land, properties held or under development for sale and an equity interest of a subsidiary.

As at the close of business on 31 December 2012, the Group's bank and other borrowings of approximately HK$7,893 million were guaranteed by certain subsidiaries of the Company and the Company, and of approximately HK$3,258 million were unguaranteed.

(c) As at the close of business on 31 December 2012, the principal amount of the Group's outstanding convertible bonds (the "CB") was RMB7 million (equivalent to approximately HK$9 million). The CB was issued on 23 July 2009 with total amount of RMB447 million, maturing on 23 July 2014, bearing interest at 6% per annum payable semi-annually in arrears, with bondholders' option to convert the CB to ordinary shares of the Company at any time after 41 days from the issue date to 10 business days before its maturity at an initial conversion price of HK$1.056 per share with a fixed exchange rate applicable to the conversion of RMB0.8818 = HK$1.00 per ordinary share (subject to certain anti-dilutive adjustments). On 23 July 2012, the bondholders had the right to require the Company to redeem all or some of the CB at the US Dollar equivalent of 100% of their principal amounts, together with unpaid accrued interests. As a result, an aggregate principal amount of RMB440 million (equivalent to HK$542 million) CB were redeemed on 23 July 2012 and the remaining RMB7 million (equivalent to HK$9 million) is outstanding and unguaranteed as at the close of business on 31 December 2012.

(d) As at the close of business on 31 December 2012, the principal amount of the Group's outstanding guaranteed senior notes (the "Notes") was approximately US$71 million (equivalent to approximately HK$554 million). The Notes were issued on 24 April 2006, maturing on 24 April 2013, with an interest rate of 8.625% per annum payable semi-annually in arrears. The Notes were guaranteed by certain subsidiaries of the Company.

II. Contingent liabilities

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the certain purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end when the purchasers pledge related properties certificates as securities to the banks for the mortgage loans granted by the banks. The Group entered into guarantee contracts of principal amounts totaling approximately HK$580 million and these contracts were still effective as at the close of business on 31 December 2012.

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business of the Group, as at the close of business on 31 December 2012, the Group did not have any outstanding indebtedness in respect of any loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchases commitments, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry and consideration, are of the opinion that the Group will, after taking into account the effect of the Acquisition, and the present internal financial resources available to the Group including internally generated cash flows and the existing banking and credit facilities available, have sufficient working capital for its present requirements in the next 12 months from the date of this circular in the absence of unforeseen material circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 December 2011, being the date to which the latest audited consolidated financial statements of the Group were made up.

1. ACCOUNTANTS' REPORT OF THE SUBJECT COMPANY

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants of the Subject Company, Simon W.F. Ng & Company, Certified Public Accountants, Hong Kong.

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REPORT OF THE INDEPENDENT AUDITOR

TO THE SHAREHOLDER OF GAO FENG LIMITED

(Incorporated in Territory of the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Gao Feng Limited (the "Group"), which comprise the consolidated statement of financial position, statement of financial position as at 31 December 2009, 2010, 2011 and 30 November 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the period from 25 November 2009 (Date of Incorporation) to 31 December 2009, years ended 31 December 2010 and 2011 and the eleven months ended 30 November 2012, the "relevant periods" together with the notes thereto.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Director of the Company is responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with the engagement agreed with the company and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by director, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2009, 2010, 2011 and 30 November 2012 and of its profit and cash flows for the relevent periods then ended in accordance with Hong Kong Financial Reporting Standards.

SIMON W.F. NG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

HONG KONG
DATED: 21 February 2013

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income
(All amounts expressed in thousands of HKD unless otherwise specified)

	Note	25 November to 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	Eleven months ended 30 November 2012
Revenue		–	–	–	–	–
Cost of sales		–	–	–	–	–
Gross profit		–	–	–	–	–
Other gain/(losses) – net		–	–	–	–	–
Administrative expenses	*6*	(24)	(21)	(21)	(18)	(15)
Operating profit/(loss)		(24)	(21)	(21)	(18)	(15)
Finance income	*7*	–	–	1	–	–
Finance costs – net		–	–	1	–	–
Gain on disposal of part of the interest in associated company		–	4,700	–	–	–
Share of profit/(loss) for the year/period attributable to owners of the associated company	*17*	4,593	(71,186)	(37,748)	(37,748)	–
Written off of goodwill at acquisition of subsidiary		(11)	–	–	–	–
		4,582	(66,486)	(37,748)	(37,748)	–
Profit/(loss) before income tax		4,558	(66,507)	(37,768)	(37,766)	(15)
Income tax expense	*8*	–	–	–	–	–
Profit/(loss) for the year/period attributable to owners		4,558	(66,507)	(37,768)	(37,766)	(15)
Other comprehensive income		–	–	–	–	–
Total comprehensive income attributable to owners		4,558	(66,507)	(37,768)	(37,766)	(15)

Consolidated Statements of Financial Position
(All amounts expressed in thousands of HKD unless otherwise specified)

	Note	31 December 2009	31 December 2010	31 December 2011	30 November 2012
ASSETS					
Non-current asset					
Investment in an associated company	*12*	126,653	37,748	–	–
Total non-current asset		126,653	37,748	–	–
Current asset					
Cash and cash equivalents	*9*	1	–	1	1
Total current asset		1	–	1	1
Total assets		126,654	37,748	1	1
EQUITY AND LIABILITIES					
Equity					
Share capital	*11*	–	–	–	–
Retained earnings		4,558	(61,949)	(99,717)	(99,732)
Equity attributable to owners		4,558	(61,949)	(99,717)	(99,732)
Loan from owner	*14*	122,072	99,657	99,658	99,658
Total equity		126,630	37,708	(59)	(74)
Liabilities					
Non-current liabilities					
Deferred tax liabilities		–	–	–	–
Total non-current liabilities		–	–	–	–
Current liabilities					
Accruals	*10*	24	40	60	75
Total current liabilities		24	40	60	75
Total liabilities		24	40	60	75
Total equity and liabilities		126,654	37,748	1	1
Net current liabilities		(23)	(40)	(59)	(74)
Total assets less current liabilities		126,630	37,708	(59)	(74)

Statements of Financial Position of the Company
(All amounts expressed in thousands of HKD unless otherwise specified)

	Note	31 December 2009	31 December 2010	31 December 2011	30 November 2012
ASSETS					
Non-current asset					
Interest in a subsidiary company	*13*	122,072	99,657	99,658	99,658
Total non-current asset		122,072	99,657	99,658	99,658
Current asset					
Cash and cash equivalents	*9*	–	–	–	–
Total current asset		–	–	–	–
Total assets		122,072	99,657	99,658	99,658
EQUITY AND LIABILITIES					
Equity					
Share capital	*11*	–	–	–	–
Retained earnings		(20)	(40)	(60)	(75)
Equity attributable to owners		(20)	(40)	(60)	(75)
Loan from owner	*14*	122,072	99,657	99,658	99,658
Total equity		122,052	99,617	99,598	99,583
Liabilities					
Non-current liabilities					
Deferred tax liabilities		–	–	–	–
Total non-current liabilities		–	–	–	–
Current liabilities					
Accruals	*10*	20	40	60	75
Total current liabilities		20	40	60	75
Total liabilities		20	40	60	75
Total equity and liabilities		122,072	99,657	99,658	99,658
Net current liabilities		(20)	(40)	(60)	(75)
Total assets less current liabilities		122,052	99,617	99,598	99,583

Consolidated Statements of Changes in Equity
(All amounts expressed in thousands of HKD unless otherwise specified)

	Paid-up capital and premium	Retained profits	Total
As at 25 November 2009	–	–	–
Increase in paid-up capital	–	–	–
Total comprehensive income for the year	–	4,558	4,558
Dividends	–	–	–
As at 31 December 2009	–	4,558	4,558
Total comprehensive income for the year	–	(66,507)	(66,507)
As at 31 December 2010	–	(61,949)	(61,949)
Total comprehensive income for the year	–	(37,768)	(37,768)
As at 31 December 2011	–	(99,717)	(99,717)
Total comprehensive income for the eleven months ended 30 November 2012	–	(15)	(15)
As at 30 November 2012	–	(99,732)	(99,732)
As at 31 December 2010	–	(61,949)	(61,949)
Total comprehensive income for the eleven months ended 30 November 2011	–	(37,766)	(37,766)
As at 30 November 2011 (unaudited)	–	(99,715)	(99,715)

Consolidated Statements of Cash Flows

(All amounts expressed in thousands of HKD unless otherwise specified)

	Note	25 November to 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	Eleven months ended 30 November 2012
Cash flows from operating activities						
Cash used in operations		(24)	(21)	(21)	(18)	(15)
Interest received		–	–	1	–	–
		(24)	(21)	(20)	(18)	(15)
Changes in operating assets and liabilities						
Increase in accrued charges		24	16	20	18	15
Net cash flows used in operating activities		–	(5)	–	–	–
Cash flows from investing activities						
Net cash inflow at acquisition of subsidiary		1	–	–	–	–
Proceeds from disposal of associated company		–	22,419	–	–	–
Net cash outflow used in investing activities		1	22,419	–	–	–
Cash flows from financing activities						
Proceeds from issue of ordinary shares	–	–	–	–	–	
Repayment to shareholder's loan		–	(22,415)	1	–	–
Net cash inflows from financing activities		–	(22,415)	1	–	–
Net increase/(decrease) in cash and cash equivalents		1	(1)	1	–	–
Cash and cash equivalents at beginning of year/period		–	1	–	–	1
Cash and cash equivalents at end of year/period	*9*	1	–	1	–	1

II. NOTES TO FINANCIAL INFORMATION

(All amounts expressed in thousands of HKD unless otherwise specified)

1. GENERAL INFORMATION

Gao Feng Limited (the Company) is a private company incorporated in Territory of the British Virgin Islands with limited liability. The address of its registered office is located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, BVI. The principal activity of the Group and the Company during the year was investment holdings.

2. STATEMENT OF COMPLIANCE

The Group's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which includes all applicable individual Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong. A summary of significant accounting policies is set out in note 3.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

The measurement basis used in preparing the financial statements is historical cost, except for investments in trading securities and available-for-sale financial assets, which are stated at fair value, and non-current assets and disposal groups held for sale, which are stated at the lower of carrying amount and fair value less costs to sell.

(b) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts, if any, except for the following receivables:

– Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less impairment losses for bad and doubtful debts, if any; and

– Short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debts, if any.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(d) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Revenue and other income recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

~ *Dividends*

Dividend income is recognised when the shareholder's right to receive payment is established.

~ *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

(f) Functional and presentation currencies

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of group's associated company (held via a wholly owned subsidiary) is Renminbi ("RMB"), as the major revenues are derived from operations in Mainland China. Considering the subsidiary is mainly operating in Hong Kong, the Hong Kong dollar ("HK$") is chosen as the presentation currency to present these financial statements.

(g) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. At each balance sheet date, monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair value was determined. Exchange gains and losses are recognised in profit or loss.

(h) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(i) Subsidiary

A subsidiary is a Company in which the holding company has a long-term equity interest of more than 50 percent. Investment in subsidiary is carried at cost less provision for permanent diminution of value.

(j) Associates and jointly controlled entities

An associate is an entity, including an unincorporated entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which the company has an interest. A joint venture is a contractual arrangement whereby the Company and one or more of other parties undertake an economic activity that is subject to joint control which is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Associates and jointly controlled entities (continued)

An investment in an associate or a jointly controlled entity is accounted for using the equity method and is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or jointly controlled entity, unless it is classified as held for sale or included in a disposal group held for sale. The profit or loss of the Company includes its share of the profit or loss of the associate or jointly controlled entity.

If the Company's share of losses of an associate or a jointly controlled entity equals or exceeds its interest in the associate or the jointly controlled entity, the Company discontinues recognising its share of further losses. The interest in an associate or a jointly controlled entity is the carrying amount of the investment in the associate or the jointly controlled entity under the equity method together with any long-term interests that, in substance, form part of the Company's net investment in the associate or the jointly controlled entity. After the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extend that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity.

(k) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the statement of comprehensive income except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

At each reporting date, the company reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

iii) is a member of the key management personnel of the company or of a parent of the Group.

(b) An entity is related the Group if any of the following conditions applies:

i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

vi) The entity is controlled or jointly controlled by a person identified in.

vii) A person identified in (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these accounts and the reported amounts of revenues and expenses for the periods presented. Changes in assumptions may have a significant impact on the accounts in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Company's reporting to differ. the Company believes that the assumptions that have been made are appropriate and that the accounts therefore present the financial position and results fairly, in all material respects.

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 16.

5. DIRECTOR'S REMUNERATIONS

During the period from 25 November 2009 (Date of Incorporation) to 31 December 2009, years ended 31 December 2010 and 2011 and the eleven months ended 30 November 2012, no amount has been paid in respect of director's emoluments, director's or past director's pensions or for any compensation to director or past director in respect of loss of office.

6. EXPENSE BY NATURE

	25 November to 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	2012
Auditor's remuneration	24	20	20	18	15
Office expense	–	1	1	–	–
	24	21	21	18	15

7. FINANCE INCOME AND FINANCE COSTS

	25 November to 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	2012
Interest income on bank deposits	–	–	1	–	–
Interest on bank borrowings	–	–	–	–	–
Finance costs	–	–	–	–	–
Finance costs, net	–	–	1	–	–

8. INCOME TAX

No Hong Kong profits tax has been provided in the financial statements as there is no income chargeable to Hong Kong profit tax during the year.

No deferred tax liability has been provided in the financial statements as there were no timing differences arose during the year.

9. CASH AND BANK BALANCES

Group	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Cash on hand	–	–	–	–
Cash at banks	1	–	1	1
Cash and cash equivalents	1	–	1	1
Restricted bank deposits relating to bank borrowings	–	–	–	–
Cash and bank balances	1	–	1	1

9. CASH AND BANK BALANCES (continued)

Company	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Cash on hand	–	–	–	–
Cash at banks	–	–	–	–
Cash and cash equivalents	–	–	–	–
Restricted bank deposits relating to bank borrowings	–	–	–	–
Cash and bank balances	–	–	–	–

The carrying amounts of the cash and bank balances are all denominated in HK$.

10. OTHER PAYABLES AND ACCRUALS

Group	31 December 2009	31 December 2010	31 December 2011	30 November 2012
~Others: Accruals	24	40	60	75
	24	40	60	75

Company	31 December 2009	31 December 2010	31 December 2011	30 November 2012
~Others: Accruals	20	40	60	75
	20	40	60	75

11. SHARE CAPITAL

Company	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Issued and fully-paid:				
1 share of US$1 each (rounded as zero)	–	–	–	–

1 share was initially issued for cash at US$1 to the shareholder.

12. INVESTMENT IN AN ASSOCIATED COMPANY

As at 31 December 2009, the Group has had direct interest of app. 49% in 沈陽華銳世紀資產管理有限公司, a limited liability company established in the PRC. Subsequently in the year of 2010, the Group disposed of app. 9% out of app. 49% interest in the associated company. After the disposal, the Group owned app. 40% interest as at 31 December 2010, 31 December 2011 and on 30 November 2012.

Group	**31 December 2009**	**31 December 2010**	**31 December 2011**	**30 November 2012**
Unlisted shares, at cost of investment	122,060	99,641	99,641	99,641
Share of post-acquisition net profit/loss of associated company				
– At beginning of the period/year	–	4,593	(61,893)	(99,641)
– Net sharing in the period/year	4,593	(71,186)	(37,748)	–
– Adjustment for the disposal of app. 9% interest in the associated company	–	4,700	–	–
Net carrying value	126,653	37,748	–	–

Remark: As at 31 December 2011 and at 30 November 2012, the Group's sharing of accumulated loss in the associated company exceeded the cost of investment. As per accounting policy, the loss attributable to the Group was limited to the cost of investment, resulting in a zero value for the investment in the associated company by the end of both of the two periods.

Particulars of the Group's associated company, which is an unlisted and limited liability company, are set out as follows:

	31 December 2009 *US$'000*	**31 December 2010** *US$'000*	**31 December 2011** *US$'000*	**30 November 2012** *US$'000*
Registered capital	31,936	31,936	31,936	31,936
Percentage of interest held in the associated company	app. 49%	app. 40%	app. 40%	app. 40%
Principal activities	Property Investment	Property Investment	Property Investment	Property Investment
Place of incorporation	PRC	PRC	PRC	PRC

13. INVESTMENT IN A SUBSIDIARY COMPANY

Throughout the three period/years ended on 31 December 2009, 2010 and 2011 and eleven months ended on 30 November 2012, the Group owned 100% interest of "Perfect Media Holdings Limited 陞冠控股有限公司", a limited liability company incorporated under the laws of Hong Kong.

Company	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Unlisted shares, at cost of investment HK$1 (rounded as zero)	–	–	–	–
Amount due from Perfect Media	122,072	99,657	99,658	99,658
	122,072	99,657	99,658	99,658

The particulars of the Company's subsidiary, which is an unlisted and limited liability company, are set out as follows:

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Paid up capital HK$1 (rounded as zero)	–	–	–	–
Percentage of interest held in the subsidiary company	100%	100%	100%	100%
Principal activities	Investment holdings	Investment holdings	Investment holdings	Investment holdings
Place of incorporation	HK	HK	HK	HK

14. LOAN FROM OWNER

The loan from owner is unsecured, interest free and with no fixed repayment terms.

15. CAPITAL MANAGEMENT

The company's primary objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholder and benefits for other stakeholders.

The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the year/period.

15. CAPITAL MANAGEMENT (continued)

The company monitors capital using a gearing ratio, which is the company's total liabilities over its total assets.

	31-Dec 2009	31-Dec 2010	31-Dec 2011	30-Nov 2012
Gearing ratio of the Company	0.02%	0.04%	0.06%	0.08%

16. FINANCIAL INSTRUMENTS

	31-Dec 2009	31-Dec 2010	31-Dec 2011	30-Nov 2012

The Group has classified its financial assets in the following categories:

	Loans and receivables	Loans and receivables	Loans and receivables	Loans and receivables
Cash and cash equivalents *(note 9)*	1	–	1	1

The Group has classified its financial liabilities in the following categories:

	Financial liabilities at amortised	Financial liabilities at amortised	Financial liabilities at amortised	Financial liabilities at amortised
Accrued charges *(note 10)*	24	40	60	75

Except for held-to-maturity investments, all other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009, 2010, 2011 and 30 November 2012.

The Group is exposed to credit risk, liquidity risk and currency risk arising in the normal course of its business and financial instruments. The Group's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

16. FINANCIAL INSTRUMENTS (continued)

a. Credit risk

The Group is exposed to credit risk on financial assets, mainly attributable to cash and cash equivalents. It has no material balance exposed to credit risk.

	31-Dec 2009	31-Dec 2010	31-Dec 2011	30-Nov 2012
Summary quantitative data				
Cash and cash equivalents *(note 9)*	1	–	1	1

At the end of the year/period, the Group has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

An analysis of the age of financial assets that are past due as at the reporting date but not impaired:

Past due up to:				
– 30 days	–	–	–	–
– over 30 days	–	–	–	–

b. Liquidity risk

The Group is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to ensure that all liabilities due and known funding requirements could be met.

	31-Dec 2009 Accrued charges *(Note 10)*	31-Dec 2010 Accrued charges *(Note 10)*	31-Dec 2011 Accrued charges *(Note 10)*	30-Nov 2012 Accrued charges *(Note 10)*
Summary quantitative data				
Not later than 3 months	24	40	60	75

c. Currency risk

The Group are operated mainly in HK dollars. There are no other major financial asset or liability in foreign currencies bearing material currency risk.

17. SHARE OF PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE ASSOCIATED COMPANY

The Group's sharing of net results of the associated company（沈陽華銳世紀資產管理有限公司）are summaried as followings:

	25-Nov to 31-Dec 2009	Year ended 31-Dec 2010	Year ended 31-Dec 2011	Eleven months ended 30-Nov 2011 unaudited	Eleven months ended 30-Nov 2012
Exchange rate of RMB to HK$ used for calculation of share of profit/(loss) in the associated company	1.1361	1.1838	1.2340	1.2340	1.2440
Profit/(loss) for the year/period attributable to owners of the associated company	213,822	(164,105)	(114,268)	(104,648)	(163,796)
Share of profit of the associated company for the post-acquisition period of 16 days	4,593	–	–	–	–
49% share of loss of the associated company for 137 days	–	(30,182)	–	–	–
40% share of loss of associated company for 228 days	–	(41,004)	–	–	–
40% share of loss of the associated company	–	–	(45,707)	(41,859)	(65,519)
	4,593	(71,186)	(45,707)	(41,859)	(65,519)
Net sharing limited to net carrying value at the end of the immediately preceding year /period (Note 12)	4,593	(71,186)	(37,748)	(37,748)	–

18. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD

HKFRSs that have been issued but are not yet effective for the period include the following HKFRSs which may be relevant to the Group's operations and financial statements:

	Effective for annual periods beginning on or after
~HKFRS 9 Financial instruments	1 January 2015
~HKFRS 10 Consolidated financial statements	1 January 2013
~HKFRS 11 Joint arrangements	1 January 2013
~HKFRS 12 Disclosure of interests in other entities	1 January 2013
~HKAS 28 (revised 2011) Investment in associates and joint ventures	1 January 2013
~Amendments to HKAS 1 Presentation of financial statements	
– Presentation of items of other comprehensive income	1 July 2012

The company has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the company's financial statements in the year of initial application. The company will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.

2. ACCOUNTANTS' REPORT OF HUARUI ASSET MANAGEMENT

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

21 February 2013

The Directors
SRE Group Limited
Room 2501, 25th Floor, Office Tower, Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Shenyang Huarui Shiji Asset Management Co., Ltd. (沈陽華銳世紀資產管理有限公司) ("Huarui Asset Management") and its subsidiary, Shenyang Huarui Commercial Management Development Co., Ltd. (沈陽華銳商業管理發展有限公司) ("Huarui Commercial Management") (hereinafter collectively referred to as the "the Group") comprising the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2009, 2010 and 2011, and the eleven months ended 30 November 2012 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statement of financial position of Huarui Asset Management as at 31 December 2009, 2010 and 2011, and 30 November 2012, together with the notes thereto (the "Financial Information"), and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the eleven months ended 30 November 2011 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular issued by SRE Group Limited ("SRE") dated 21 February 2013 (the "Circular") in connection with SRE's exercise of a call option and SRE's proposed acquisition of an indirect 40% interest in Huarui Asset Management (the "Proposed Acquisition").

Huarui Asset Management was incorporated as a limited liability company under the laws of the People's Republic of China (the "PRC") on 30 October 2007. During the Relevant Periods, the principal activities of the Group consisted of development of properties held for long term investment and for leasing and provision of commercial property management services in Mainland China. The properties developed and owned by the Group are mainly located in Shenyang, Liaoning Province, the PRC.

As at the end of the Relevant Periods, Huarui Asset Management has direct interest in its subsidiary, Huarui Commercial Management, as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the PRC in which they were incorporated. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of Huarui Asset Management (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and Huarui Asset Management as at 31 December 2009, 2010 and 2011 and 30 November 2012 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

Yours faithfully,

Ernst& Young
Certified Public Accountants
Hong Kong

I. Financial Information

Consolidated Statements of Comprehensive Income

(All amounts expressed in thousands of RMB unless otherwise specified)

	Notes	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	Eleven months ended 30 November 2012
Revenue	5	28,439	39,583	44,289	40,534	43,889
Cost of sales	7	(37,957)	(24,353)	(28,225)	(24,789)	(24,223)
Gross profit/(loss)		(9,518)	15,230	16,064	15,745	19,666
Other gains/(losses) – net	6	342,317	(143,905)	(17,775)	(17,781)	(52,781)
Selling and marketing costs	7	(2,505)	(2,337)	(1,720)	(1,471)	(1,507)
Administrative expenses	7	(20,258)	(22,417)	(22,674)	(20,848)	(21,278)
Operating profit/(loss)		310,036	(153,429)	(26,105)	(24,355)	(55,900)
Finance income	8	28	44	26	18	41
Finance costs	8	(32,952)	(18,267)	(53,343)	(47,896)	(81,382)
Finance costs – net		(32,924)	(18,223)	(53,317)	(47,878)	(81,341)
Profit/(loss) before income tax		277,112	(171,652)	(79,422)	(72,233)	(137,241)
Income tax expense	9	(88,905)	33,026	(13,178)	(12,571)	5,572
Profit /(loss) for the year/period attributable to owners of Huarui Asset Management		188,207	(138,626)	(92,600)	(84,804)	(131,669)
Other comprehensive income		–	–	–	–	–
Total comprehensive income attributable to owners of Huarui Asset Management		188,207	(138,626)	(92,600)	(84,804)	(131,669)
Earnings/(losses) per share attributable to owners of Huarui Asset Management (RMB) – basic and diluted	11	N/A	N/A	N/A	N/A	N/A

I. Financial Information

Consolidated Statements of Financial Position

(All amounts expressed in thousands of RMB unless otherwise specified)

	Notes	31 December 2009	31 December 2010	31 December 2011	30 November 2012
ASSETS					
Non-current assets					
Property, plant and equipment	*12*	355	665	872	733
Investment property	*13*	2,910,000	2,778,000	2,773,000	2,724,000
Total non-current assets		2,910,355	2,778,665	2,773,872	2,724,733
Current assets					
Inventories, at cost		244	370	419	490
Amounts due from related parties	*22*	–	89,800	46,300	73,300
Prepayments and other receivables	*15*	3,803	525	1,766	2,175
Cash and bank balances	*16*	10,398	7,137	7,929	1,838
Total current assets		14,445	97,832	56,414	77,803
Total assets		2,924,800	2,876,497	2,830,286	2,802,536
EQUITY AND LIABILITIES					
Equity					
Paid-up capital	*17*	255,490	255,490	255,490	255,490
Other reserves		35,106	35,106	35,106	92,106
Retained earnings		1,036,989	898,363	805,763	674,094
Equity attributable to owners of Huarui Asset Management		1,327,585	1,188,959	1,096,359	1,021,690
Total equity		1,327,585	1,188,959	1,096,359	1,021,690
Liabilities					
Non-current liabilities					
Interest-bearing bank borrowings	*18*	–	664,332	633,690	958,675
Deferred tax liabilities	*19*	466,249	433,223	446,401	440,829
Total non-current liabilities		466,249	1,097,555	1,080,091	1,399,504

I. Financial Information

Consolidated Statements of Financial Position (continued)

(All amounts expressed in thousands of RMB unless otherwise specified)

	Notes	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Current liabilities					
Interest-bearing bank borrowings	*18*	227,000	25,000	50,000	15,000
Accounts payable		609	691	105	143
Advances from customers		1,339	2,518	3,707	2,256
Other payables and accruals	*20*	18,787	22,069	25,513	38,532
Amounts due to related parties	*22*	883,231	539,705	574,511	325,411
Total current liabilities		1,130,966	589,983	653,836	381,342
Total liabilities		1,597,215	1,687,538	1,733,927	1,780,846
Total equity and liabilities		2,924,800	2,876,497	2,830,286	2,802,536
Net current liabilities		(1,116,521)	(492,151)	(597,422)	(303,539)
Total assets less current liabilities		1,793,834	2,286,514	2,176,450	2,421,194

I. Financial Information

Consolidated Statements of Changes in Equity

(All amounts expressed in thousands of RMB unless otherwise specified)

	Notes	Paid-up capital	Other reserves	Retained earnings	Total
As at 1 January 2009		80,000	46,842	990,213	1,117,055
Capital injection		179,009	–	–	179,009
Total comprehensive income for the year		–	–	188,207	188,207
Deemed distribution to shareholders as a result of the 2009 De-merger	*1*	(3,519)	(11,736)	(141,431)	(156,686)
As at 31 December 2009		255,490	35,106	1,036,989	1,327,585
Total comprehensive income for the year		–	–	(138,626)	(138,626)
As at 31 December 2010		255,490	35,106	898,363	1,188,959
Total comprehensive income for the year		–	–	(92,600)	(92,600)
As at 31 December 2011		255,490	35,106	805,763	1,096,359
Total comprehensive income for the eleven months ended 30 November 2012		–	–	(131,669)	(131,669)
Capital contribution recognised upon the waived payables by the parent company	*22*	–	57,000	–	57,000
As at 30 November 2012		255,490	92,106	674,094	1,021,690
As at 31 December 2010		255,490	35,106	898,363	1,188,959
Total comprehensive income for the eleven months ended 30 November 2011		–	–	(84,804)	(84,804)
As at 30 November 2011 (unaudited)		255,490	35,106	813,559	1,104,155

I. Financial Information

Consolidated Statements of Cash Flows

(All amounts expressed in thousands of RMB unless otherwise specified)

	Note	Year ended December 31 2009	Year ended December 31 2010	Year ended December 31 2011	Eleven months ended 30 November 2011 Unaudited	Eleven months ended 30 November 2012
Cash flows from operating activities						
Cash used in operations	*21*	(9,443)	(2,030)	(5,561)	(3,105)	(2,374)
Interest paid		(32,950)	(28,935)	(58,985)	(46,827)	(76,397)
Interest received		28	44	26	18	41
Net cash flows used in operating activities		(42,365)	(30,921)	(64,520)	(49,914)	(78,730)
Cash flows from investing activities						
Purchases of property, plant and equipment		(126)	(415)	(422)	(415)	(98)
Payments for investment property		(36,456)	(11,599)	(12,572)	(12,572)	(3,163)
Net cash outflows used in investing activities		(36,582)	(12,014)	(12,994)	(12,987)	(3,261)
Cash flows from financing activities						
Proceeds from borrowings		–	700,000	–	–	1,000,000
Repayments of borrowings		(242,000)	(227,000)	–	–	(705,000)
(Increase)/decrease in restricted deposits relating to bank borrowings		–	–	(1,000)	(1,000)	1,000
Increase/(decrease) in amounts due to related parties, net		327,682	(433,326)	78,306	61,806	(219,100)
Net cash inflows from financing activities		85,682	39,674	77,306	60,806	76,900
Net increase/(decrease) in cash and cash equivalents		6,735	(3,261)	(208)	(2,095)	(5,091)
Cash and cash equivalents at beginning of year/period		3,663	10,398	7,137	7,137	6,929
Cash and cash equivalents at end of year/period		10,398	7,137	6,929	5,042	1,838

I. Financial Information

Statements of Financial Position

(All amounts expressed in thousands of RMB unless otherwise specified)

	Notes	31 December 2009	31 December 2010	31 December 2011	30 November 2012
ASSETS					
Non-current assets					
Property, plant and equipment		6	5	4	3
Investment property	*13*	2,910,000	2,778,000	2,773,000	2,724,000
Investment in a subsidiary	*14*	7,781	7,781	7,781	7,781
Total non-current assets		2,917,787	2,785,786	2,780,785	2,731,784
Current assets					
Amount due from a fellow subsidiary		65,367	100,368	124,396	155,982
Amounts due from related parties		–	89,800	46,300	73,300
Prepayments and other receivables		14	3	450	400
Cash and bank balances	*16*	3,442	2,668	3,114	1,067
Total current assets		68,823	192,839	174,260	230,749
Total assets		2,986,610	2,978,625	2,955,045	2,962,533
EQUITY AND LIABILITIES					
Equity					
Paid-up capital	*17*	255,490	255,490	255,490	255,490
Other reserves		35,106	35,106	35,106	92,106
Retained earnings		1,125,096	1,031,333	982,415	887,590
Equity attributable to owners of Huarui Asset Management		1,415,692	1,321,929	1,273,011	1,235,186
Total equity		1,415,692	1,321,929	1,273,011	1,235,186
Non-current liabilities					
Interest-bearing bank borrowings	*18*	–	664,332	633,690	958,675
Deferred tax liabilities	*19*	466,249	433,223	446,401	440,829
Total non-current liabilities		466,249	1,097,555	1,080,091	1,399,504
Current liabilities					
Interest-bearing bank borrowings	*18*	227,000	25,000	50,000	15,000
Other payables and accruals		438	430	432	10,432
Amounts due to related parties		877,231	533,711	551,511	302,411
Total current liabilities		1,104,669	559,141	601,943	327,843
Total liabilities		1,570,918	1,656,696	1,682,034	1,727,347
Total equity and liabilities		2,986,610	2,978,625	2,955,045	2,962,533
Net current liabilities		(1,035,846)	(366,302)	(427,683)	(97,094)
Total assets less current liabilities		1,881,941	2,419,484	2,353,102	2,634,690

II. Notes to Financial Information

1. CORPORATE INFORMATION

Huarui Asset Management was established as a foreign investment enterprise under the laws of the People's Republic of China (the "PRC") on 30 October 2007 as a result of the de-merger (the "2007 De-merger") of Shenyang Huarui Shiji Investment Development Co., Ltd. (沈陽華鋭世紀投資發展有限公司) ("Huarui Investment"), whereby certain portions of the assets, liabilities and US$10,000,000 of the paid-up capital was injected into Huarui Asset Management (as a newly established company). The approved operating term of Huarui Asset Management is 30 years. As at 30 November 2012, The principal activity of Huarui Asset Management is the leasing of self-owned property. The registered office of Huarui Asset Management is located at Room 408, No.118 Ha'rbin Road, Shenhe District, Shenyang, the PRC. Its principal place of business is in Shenyang, the PRC.

On 24 July 2009, the board of directors of Huarui Asset Management passed a resolution to split Huarui Asset Management into two companies (the "2009 De-merger") whereby certain portions of the assets, liabilities and US$440,000 of the paid-up capital of Huarui Asset Management were to be injected into a newly set up company, i.e., Shenyang Huarui New Century Hotel Management Co., Ltd. (沈陽華鋭新世紀酒店管理有限公司) ("New Century Hotel Management"), which was to be held by the existing shareholders of Huarui Asset Management, based on their existing portion of equity interests in Huarui Asset Management. Upon the completion of the 2009 De-merger, the paid-up capital of Huarui Asset Management was reduced from US$10,000,000 to US$9,956,000. The 2009 De-merger was completed and New Century Hotel Management was formally established on 27 October 2009.

According to the 2009 De-merger agreement, Huarui Asset Management shall transfer certain assets and liabilities to New Century Hotel Management with reference to their carrying amounts as at 27 October 2009 in Huarui Asset Management's book as follows:

i) Certain portion of assets, mainly comprising the Lexington hotel property and its land use right; and

ii) Other payables related to Lexington hotel property construction costs; and

iii) The excess of net assets transferred to New Century Hotel Management over the paid-up capital and other reserves allocated to New Century Hotel Management as a result of the 2009 De-merger was accounted for as a distribution to the shareholders.

Subsequent to the 2009 De-merger, the paid-up capital of Huarui Asset Management was increased from two new shareholders on 30 October 2009. After a series of acquisition transactions between the shareholders of Huarui Asset Management, the registered and paid-up capital of Huarui Asset Management is US$31,936,200 (equivalent to RMB255,489,600) as at 30 November 2012, which is held by Starweb Investment Limited ("Starweb"), Moony Hill Investments Limited ("Moony Hill"), Better Capital Limited ("Better Capital") and Perfect Media Holdings Limited ("Perfect Media") by 35.7%, 15.3%, 9% and 40%, respectively. Starweb, Moony Hill, and Better Capital are indirect wholly-owned subsidiaries of SRE and incorporated in the British Virgin Islands and Hong Kong. Management regards SRE as the parent company of Huarui Asset Management.

The statutory financial statements of Huarui Asset Management are prepared in accordance with PRC accounting principles. The statutory financial statements of Huarui Asset Management for the years ended 31 December 2009, 2010 and 2011 were audited with unqualified opinions by Liaoning Tianchengyuan Certified Public Accountants Co., Ltd (遼寧天成會計師事務所有限公司), Shenyang Tianyun United Accountant Office (沈陽天蘊聯合會計師事務所), and Liaoning Zhongping Certified Public Accounts (遼寧中平會計師事務所有限公司), respectively.

1. CORPORATE INFORMATION (continued)

At the date of this report, the particulars of the subsidiary in which Huarui Asset Management had direct equity interest are set out below:

Name	Place of incorporation	Paid-up capital	Percentage of equity holding	Principal activities
Huarui Commercial Management	Shenyang city, PRC	RMB10,000,000	100%	Provision of leasing and commercial property management services

The statutory financial statements of Huarui Commercial Management for the years ended 31 December 2009 and 2011 were audited with unqualified opinions by Liaoning Lixinda Certified Public Accountants Co., Ltd. (遼寧立信達會計師事務所有限責任公司) and Liaoning Yintai Certified Public Accountants Limited Company (遼寧銀泰會計師事務所有限責任公司), respectively. The statutory financial statement of Huarui Commercial Management for the year ended 31 December 2010 was not audited.

2.1 BASIS OF PRESENTATION

The Financial Information has been prepared on a continued basis and the consolidated statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group have been prepared under the historical cost basis, except for the investment property, which is measured at fair value as explained in the accounting policies set out below.

All intra-group transactions and balances have been eliminated on consolidation.

As at 30 November 2012, the current liabilities of the Group exceeded its current assets by approximately RMB304 million. The Directors have prepared the Financial Information on the going concern basis because SRE has undertaken to provide continuing financial support to the Group to enable it to meet its liabilities as and when they fall due.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2012, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 BASIS OF PREPARATION (continued)

Basis of consolidation

The Financial Information include the financial statements of Huarui Asset Management and its subsidiary for the years ended 31 December 2009, 2010 and 2011 and 30 November 2012. The financial statements of the subsidiary are prepared for the same reporting period as Huarui Asset Management, using consistent accounting policies. The results of a subsidiary are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Standards issued but not yet effective up to the date of the issuance of the Group's financial statements are listed below. Except for HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011), the Group intends to adopt those standards when they become effective.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

[1] Effective for annual periods beginning on or after 1 July 2012

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 July 2014

[4] Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are applicable or expected to be applicable to the Group is as follows:

HKFRS 10: Consolidated Financial Statements

HKFRS 10 becomes effective for annual periods beginning on or after 1 January 2013. The Group decided to early adopt HKFRS 10 since 1 January 2012. It establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12. Currently, HKFRS 10 did not have significant impact on the Group's financial statements.

HKFRS 11: Joint Arrangements

HKFRS 11 becomes effective for annual periods beginning on or after 1 January 2013. The Group early adopted HKFRS 11 since 1 January 2012, as a result of early adoption HKFRS 10. It replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. Currently, HKFRS 11 did not have significant impact on the Group's financial statements.

HKFRS 12: Disclosure of Interests in Other Entities

HKFRS 12 becomes effective for annual periods beginning on or after 1 January 2013. The Group early adopted HKFRS 12 since 1 January2012, as a result of early adoption HKFRS 10. It includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Currently, HKFRS 12 did not have significant impact on the Group's financial position and performance.

HKAS 27 (2011) Separate Financial Statements

HKAS 27 (2011) becomes effective for annual periods beginning on or after 1 January 2013. The Group early adopted HKAS27 (2011) since 1 January 2012, as a result of early adoption HKFRS 10. HKAS 27 (2011) *Separate Financial Statements* contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. Currently, HKAS 27 (2011) did not have significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 28 (2011) Investments in Associates and Joint Ventures

HKAS 28 (2011) becomes effective for annual periods beginning on or after 1 January 2013. The Group early adopted HKAS28 (2011) since 1 January 2012, as a result of early adoption HKFRS 10. It prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Currently, HKAS 28 (2011) did not have significant impact on the Group's financial statements.

Upon adoption of HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011), the Group has also adopted the consequential amendments to HKFRS 1, HKFRS 2, HKFRS 3, HKFRS 4, HKFRS 5, HKFRS 8, HKAS 1, HKAS 19, HKAS 21, HKAS 24, HKAS 32, HKAS 36, HKAS 39, HK(IFRIC) 4, HK (IFRIC) 5 and HK(IFRIC) 17. Consequential amendments above did not have significant impact on the accounting policies of the Group.

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related or unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied. Currently, these amendments did not have significant impact on the Group's financial position and performance.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments: Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as Huarui Asset Management is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. Currently, it is expected that these amendments will not have significant impact on the Group's financial position and performance.

HKFRS 13 Fair Value Measurement

HKFRS 13 becomes effective for annual periods beginning on or after 1 January 2013. The standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. Currently, HKFRS 13 did not have significant impact on the Group's financial position and performance.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

HKAS 1 Amendments becomes effective for annual periods beginning on or after 1 January 2013. The amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain of hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets would be presented separately from items which will never be reclassified. The amendments will affect presentation only and have impact no on the financial position or performance.

Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

HKAS 32 Amendments becomes effective for annual periods beginning on or after 1 January 2014. The amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption.

Annual Improvements 2009-2011 Cycle: Amendments to a number of HKFRSs issued in June 2012

The Annual Improvements to HKFRSs 2009-2011 Cycle becomes effective for annual periods beginning on or after 1 January 2013. These are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

Except for HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011), the Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property which are leased out on operating leases.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment property and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment property

Investment property was revalued at the end of each Relevant Periods during the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012 using the term and reversion method on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest, direct capitalisation method by assuming a stabilised economic income capitalised by a market yield rate and direct comparison approach by making reference to the sales transactions of the comparable properties by independent professionally qualified valuers. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting periods.

For details of changes in fair values of the investment property, please see note 13.

Deferred tax assets, liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective group entity's domicile.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets, liabilities and current income tax charge (continued)

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will have impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed.

In 2011, the management estimated the tax losses were unlikely to be recovered by profits generated in a valid period of 5 years. As a result, the Group derecognised the deferred tax assets of approximately RMB7 million and charged into profit or loss for the year ended 31 December 2011.

For details of deferred tax assets and liabilities and income tax, please see note 19 and 9.

Impairment of receivables

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the receivables and impairment of receivables/reversal of impairment in the period in which such estimate has been changed.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Such estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in note 3. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and the value in use, where the calculations of which involve the use of estimates.

For details of property, plant and equipment, please see note 12.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies Huarui Asset Management controls, directly or indirectly, so as to obtain benefits from its activities.

The results of a subsidiary are included in the Huarui Asset Management's statement of comprehensive income to the extent of dividends received and receivable. Huarui Asset Management's investment in a subsidiary that is not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same the Group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment property

Investment property is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met and it is accounted for as a finance lease. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment property are included in the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of the retirement or disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

The Group's financial assets include cash and bank balances, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in cost of sales or other losses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of comprehensive income.

Inventories

Inventories mainly comprise low value consumables used in hotel and golf course operations, and are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets with similar nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Property leasing under operating lease

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when at the inception of the lease, it is reasonably certain that the lessee will exercise the option.

Property management revenue

Property management revenue is recognised in the accounting period in which the services are rendered.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs (continued)

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate has been applied to the expenditure on the individual assets.

Foreign currencies

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Huarui Asset Management's and its subsidiary's functional currency is Renminbi ("RMB"), as the major revenues are derived from operations in Mainland China.

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities (except for contingent liability recognised in a business combination) and assets are not recognised on the statement of financial position of the Group and Huarui Asset Management.

4. OPERATING SEGMENT INFORMATION

The Group's revenue is mainly derived from the property leasing for a commercial property owned by the Group, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Accordingly, no segment analysis is presented.

Segment revenue and results

The financial information presented to the management is consistent with the consolidated statement of comprehensive income.

Geographical information

The Group's operations are principally carried out in the PRC, and all non-current assets of the Group are located in the PRC.

Information about major customers

The Group's customers are widely dispersed. No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer or a group of customers which are known to be under common control for the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2011 (unaudited) and 2012.

5. REVENUE

Revenue, which is also the Group's turnover, represents the gross rental income received and receivable from investment property during the Relevant Periods. An analysis of revenue is as follows:

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	Eleven months ended 30 November 2012
Revenue from property leasing	18,563	28,996	33,697	30,615	33,951
Property management revenue	13,484	15,030	15,808	14,764	14,818
Other revenue	492	488	154	152	161
	32,539	44,514	49,659	45,531	48,930
Less: Business tax and surcharges	(4,100)	(4,931)	(5,370)	(4,997)	(5,041)
Total revenue	28,439	39,583	44,289	40,534	43,889

6. OTHER GAINS/ (LOSSES) – NET

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	Eleven months ended 30 November 2012
Fair value gain/(loss) on investment property *(note 13)*	342,544	(143,599)	(17,572)	(17,572)	(52,163)
Others	(227)	(306)	(203)	(209)	(618)
	342,317	(143,905)	(17,775)	(17,781)	(52,781)

7. EXPENSE BY NATURE

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	Eleven months ended 30 November 2012
Cost arising from investment property that generates rental income	21,735	24,353	28,225	24,789	24,223
Depreciation of property, plant and equipment	16,310	105	215	194	237
Employee benefit expense	8,852	8,661	10,562	9,770	10,260
– Wages and salaries	7,696	7,603	8,526	7,912	7,351
– Other social welfare	1,156	1,058	2,036	1,858	2,909
Advertising costs	2,505	2,337	1,720	1,471	1,507
Miscellaneous tax	8,550	6,606	6,429	5,856	5,976
Travelling expenses	288	566	428	405	233
Office expenses	879	905	592	560	902
Business entertainment expenses	416	473	639	603	447
Property management fee	–	3,155	2,545	2,369	2,022
Others	1,185	1,946	1,264	1,091	1,201
	60,720	49,107	52,619	47,108	47,008

8. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	2012
Interest income on bank deposits	28	44	26	18	41
Interest on bank borrowings – wholly repayable within five years	(32,952)	(12,318)	–	–	–
Interest on bank borrowings – wholly repayable beyond five years	–	(5,949)	(53,343)	(47,896)	(81,382)
Finance costs	(32,952)	(18,267)	(53,343)	(47,896)	(81,382)
Finance costs, net	(32,924)	(18,223)	(53,317)	(47,878)	(81,341)

9. INCOME TAX EXPENSE

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	2012
Deferred taxation *(note 19)* – Mainland China income tax	88,905	(33,026)	13,178	12,571	(5,572)
Total tax charge/(credit) for the year/period	88,905	(33,026)	13,178	12,571	(5,572)

The Group conducts its business in Mainland China and the applicable income tax rate in Mainland China is generally 25%, in accordance with the PRC Corporate Income Tax Law.

A reconciliation of the tax expense/credit applicable to profit before tax using the statutory tax rate of 25% for the jurisdiction in which the Group is domiciled to the tax expense/credit at the effective tax rate is as follows:

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	2012
Profit/(loss) before tax	277,112	(171,652)	(79,422)	(72,233)	(137,241)
Tax at the applicable tax rate of 25%	69,278	(42,913)	(19,856)	(18,058)	(34,310)
Tax losses not recognised	19,441	9,698	32,778	30,388	28,559
Expenses not deductible for tax	186	189	256	241	179
Total tax expense/(credit) for the year/period at the Group's effective tax rate	88,905	(33,026)	13,178	12,571	(5,572)

10. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF HUARUI ASSET MANAGEMENT

The consolidated profit/(loss) attributable to owners of Huarui Asset Management for the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2011 (unaudited) and 2012 includes a profit of approximately RMB238 million and losses of approximately RMB94 million, approximately RMB49 million, approximately RMB46 million and approximately RMB95 million, respectively, which have been dealt within the financial statements of Huarui Asset Management.

11. EARNINGS/(LOSSES) PER SHARE

Earnings/(losses) per share information is not presented as Huarui Asset Management did not have ordinary shares during the Relevant Periods.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Office equipment	Total
Cost			
Beginning of year as at 1 January 2009	200,110	133,727	333,837
Additions	–	126	126
Disposal as a result of the 2009 De-merger	(200,110)	(133,351)	(333,461)
End of year as at 31 December 2009	–	502	502
Additions	–	415	415
End of year as at 31 December 2010	–	917	917
Additions	–	422	422
End of year as at 31 December 2011	–	1,339	1,339
Additions	–	98	98
End of period as at 30 November 2012	–	1,437	1,437
Accumulated depreciation			
Beginning of year as at 1 January 2009	1,980	6,190	8,170
Depreciation charge	16,222	88	16,310
Disposal as a result of the 2009 De-merger	(18,202)	(6,131)	(24,333)
End of year as at 31 December 2009	–	147	147
Depreciation charge	–	105	105
End of year as at 31 December 2010	–	252	252
Depreciation charge	–	215	215
End of year as at 31 December 2011	–	467	467
Depreciation charge	–	237	237
End of period as at 30 November 2012	–	704	704
Net carrying amount			
Balance, beginning of year as at 1 January 2009	198,130	127,537	325,667
Balance, end of year as at 31 December 2009	–	355	355
Balance, end of year as at 31 December 2010	–	665	665
Balance, end of year as at 31 December 2011	–	872	872
Balance, end of period as at 30 November 2012	–	733	733

13. INVESTMENT PROPERTY

Group and Huarui Asset Management

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
At beginning of year/period	2,531,000	2,910,000	2,778,000	2,773,000
Fair value gain/(loss) *(note 6)*	342,544	(143,599)	(17,572)	(52,163)
Addition in cost	36,456	11,599	12,572	3,163
At end of year/period	2,910,000	2,778,000	2,773,000	2,724,000

The investment property represents a 7-storey shopping mall at Shenhe District, Shenyang, with a fair value of RMB2,910 million, RMB2,778 million, RMB2,773 million and RMB2,724 million as at 31 December 2009, 2010 and 2011 and 30 November 2012. The terms of operating leases entered into for the shopping mall range from 1 year to 15 years.

As at 31 December 2009, 2010 and 2011 and 30 November 2012, the Group's investment property was valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent professionally qualified property valuer and consultant. As there is no active market for the said property, and due to the absence of similar properties in the same location and condition, the valuations were performed based on the income approach (term and reversion method) for the completed investment property. The following main inputs have been used:

Yield	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Shenyang Richgate Shopping Mall	5% – 6%	5% – 6%	5% – 6%	5% – 6%

The Group's interests in the investment property at their net book values are analysed as follows:

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
In Mainland China, held on:				
Leases of over 50 years	2,910,000	2,778,000	2,773,000	2,724,000

14. INVESTMENT IN A SUBSIDIARY

Huarui Asset Management

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Unlisted equity interest, at cost	10,000	10,000	10,000	10,000
Less: Impairment loss	(2,219)	(2,219)	(2,219)	(2,219)
	7,781	7,781	7,781	7,781

Details of the subsidiary as at 30 November 2012 are set out in note 1.

15. PREPAYMENTS AND OTHER RECEIVABLES

Group

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Prepayments	152	285	634	595
Other receivables	3,651	240	1,132	1,580
	3,803	525	1,766	2,175

16. CASH AND BANK BALANCES

Group	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Cash on hand	17	69	22	218
Cash at banks	10,381	7,068	6,907	1,620
Cash and cash equivalents	10,398	7,137	6,929	1,838
Restricted bank deposits	–	–	1,000	–
Cash and bank balances	10,398	7,137	7,929	1,838

Huarui Asset Management	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Cash on hand	14	68	15	31
Cash at banks	3,428	2,600	3,099	1,036
Cash and cash equivalents	3,442	2,668	3,114	1,067
Restricted bank deposits	–	–	–	–
Cash and bank balances	3,442	2,668	3,114	1,067

The carrying amounts of the cash and bank balances are all denominated in RMB.

17. PAID-UP CAPITAL

Group and Huarui Asset Management

The registered capital of Huarui Asset Management is US$31,936,200 and has been fully paid-up as at 30 November 2012. Details of the registered and paid-up capital are as follows:

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
At beginning of year/period	80,000	255,490	255,490	255,490
Capital injection	179,009	–	–	–
Reduction as a result of the 2009 De-merger	(3,519)	–	–	–
At end of year/period	255,490	255,490	255,490	255,490

17. PAID-UP CAPITAL (continued)

All capital contributions were translated at a fixed contractual exchange rate of US$1:RMB8.0 on the dates of contribution. Liaoning Lixinda Certified Public Accountants Co., Ltd. (遼寧利信達會計師事務所有限責任公司) verified the above capital contributions in 2009 (through settlement of other payables by shareholders) and issued a capital verification report thereon.

18. INTEREST-BEARING BANK BORROWINGS

Group and Huarui Asset Management

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Current portion of long-term bank borrowings – secured	227,000	25,000	50,000	15,000
Long-term bank borrowings – secured	–	664,332	633,690	958,675
	227,000	689,332	683,690	973,675

The long-term borrowings are repayable as follows:

– Within 1 year	227,000	25,000	50,000	15,000
– 1 to 2 years	–	22,658	22,439	16,420
– 2 to 3 years	–	22,813	47,654	157,267
– 3 to 5 years	–	96,015	95,896	612,580
– After 5 years	–	522,846	467,701	172,408
	227,000	689,332	683,690	973,675
Less: long-term borrowings, current portion	(227,000)	(25,000)	(50,000)	(15,000)
Long-term borrowings, non-current portion	–	664,332	633,690	958,675

As at 31 December 2009, 2010 and 2011 and 30 November 2012, long-term bank borrowings are secured by the pledge of the Group's investment property.

The effective interest rates for these borrowings at the of the Relevant Periods are as follows:

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Long-term bank borrowings	5.94%	7.42%	7.79%	8.00%

The carrying amounts of the borrowings are all denominated in RMB.

19. DEFERRED TAX LIABILITIES

Group and Huarui Asset Management

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, levied by the same tax authority on the same taxable entity.

19. DEFERRED TAX LIABILITIES (continued)

The gross movements in the deferred tax account are as follows:

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
At beginning of year/period	381,256	466,249	433,223	446,401
Recognised in profit or loss *(note 9)*	88,905	(33,026)	13,178	(5,572)
Transferred to New Century Hotel Management as a result of the 2009 De-merger	(3,912)	–	–	–
At end of year/period	466,249	433,223	446,401	440,829

The movement in deferred tax assets and liabilities during the year/period are as follows:

Deferred tax liabilities, net	Tax losses carried forward	Fair value gains	Excess of fair value over book value in the subsidiaries as a result of business combination and De-merger	Total
As at 1 January 2009	–	365,642	15,614	381,256
Recognised in profit or loss	–	88,905	–	88,905
Transferred to New Century Hotel Management as a result of the 2009 De-merger	–	–	(3,912)	(3,912)
As at 31 December 2009	–	454,547	11,702	466,249
Recognised in profit or loss	(7,143)	(25,883)	–	(33,026)
As at 31 December 2010	(7,143)	428,664	11,702	433,223
Recognised in profit or loss	7,143	6,035	–	13,178
As at 31 December 2011	–	434,699	11,702	446,401
Recognised in profit or loss	–	(5,572)	–	(5,572)
As at 30 November 2012	–	429,127	11,702	440,829

19. DEFERRED TAX LIABILITIES (continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Net deferred tax liabilities recognised in the consolidated statements of financial position	466,249	433,223	446,401	440,829

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Tax losses	117,206	155,998	287,110	401,346

The above tax losses arising in Mainland China for offsetting against future taxable profit will expire in one to five years. Deferred tax assets have not been recognised in respect of the tax losses as they have arisen in Huarui Asset Management and its subsidiary that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these temporary differences can be utilised before they expire.

20. OTHER PAYABLES AND ACCRUALS

Group

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Business tax and miscellaneous tax payables	236	197	404	375
Security deposits received	17,061	20,522	23,874	25,975
Payroll and welfare payables	488	744	810	820
Security deposits for renovation	975	543	106	91
Payable for financial advisory services	–	–	–	10,000
Others	27	63	319	1,271
	18,787	22,069	25,513	38,532

21. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit/(loss) before tax to cash used in operations is as follows:

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	2012
Profit/(loss) before tax	277,112	(171,652)	(79,422)	(72,233)	(137,241)
Depreciation of property, plant and equipment	16,310	105	215	194	237
Fair value (gain)/loss on investment property	(342,544)	143,599	17,572	17,572	52,163
Finance income	(28)	(44)	(26)	(18)	(41)
Finance costs	32,952	18,267	53,343	47,896	81,382
	(16,198)	(9,725)	(8,318)	(6,589)	(3,500)
Increase in inventories	(8)	(126)	(49)	(47)	(71)
Decrease/(increase) in prepayments and other receivables	2,633	3,278	(1,241)	(461)	(409)
(Decrease)/increase in accounts payable	(354)	82	(586)	(586)	38
Increase/(decrease) in advances from customers	1,339	1,179	1,189	(1,283)	(1,451)
Increase in other payables and accruals	3,145	3,282	3,444	5,861	3,019
Cash used in operations	(9,443)	(2,030)	(5,561)	(3,105)	(2,374)

21. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Major non-cash transaction:

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	2012
Capital injection *(see note 17)*	179,009	–	–	–	–

22. RELATED PARTIES AND RELATED PARTY TRANSACTION

As at 31 December 2009, 2010 and 2011 and 30 November 2012, the shareholders of Huarui Asset Management are Starweb, Moony Hill, Better Capital and Perfect Media. Management regards SRE as the parent company of Huarui Asset Management.

In addition to the related party transactions and balances disclosed elsewhere in the Financial Information, Huarui Asset Management had the following transactions with related parties:

Transactions with a related party

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	2012
Property management service expense	270	990	640	540	150

Shanghai Real Estate Property Management Co., Ltd., a subsidiary of SRE, provides property management services to the Group in respect of the Shenyang Richgate Shopping Mall.

Capital contribution from the parent company

In June 2012, SRE disposed of its entire interest in a fellow subsidiary to a third party. As part of the whole arrangement in that transaction, Huarui Asset Management is no longer required to the repay the amount of RMB 57 million owed to the disposed fellow subsidiary. Such waiver of liability, in effect, was considered to be a capital contribution from SRE, and was accounted for as such.

22. RELATED PARTIES AND RELATED PARTY TRANSACTION (continued)

Amounts due from/to related parties

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Balances due from fellow subsidiaries of SRE				
Shanghai Shangzhi Real Estate Development Co., Ltd.	–	45,800	45,800	37,800
Shanghai Andong Real Estate Co., Ltd.	–	44,000	500	500
Shenyang Lvyi Hotel Management Co., Ltd.	–	–	–	35,000
Amounts due from related parties	–	89,800	46,300	73,300
Balances due to a shareholder				
Starweb (a fellow subsidiary of SRE)	30,731	30,731	30,731	30,731
Balances due to fellow subsidiaries of SRE				
Liaoning Gao Xiao Support Group Property Development Co., Ltd.	200,000	–	17,000	39,750
Shenyang Huajian Real Estate Co., Ltd.	45,000	45,000	57,000	–
Shenyang Lukang Real Estate Ltd.	5,000	–	–	17,500
Shanghai Oasis Garden Real Estate Co., Ltd.	128,500	126,380	107,680	21,830
Shanghai Hangtou Govern Real Estate Co., Ltd.	109,000	62,600	62,600	62,600
Shanghai Zhufu Property Development Co., Ltd.	90,000	90,000	90,000	–
Shanghai Anderson Fuxing Land Co., Ltd.	75,000	75,000	75,000	–
Shanghai Shangzhi Real Estate Development Co., Ltd.	103,000	–	–	–
Shanghai Jinwu Real Estate Co., Ltd.	50,000	97,000	97,000	99,500
Shanghai Wingo Infrastructure Co., Ltd.	–	12,994	13,000	23,000
Shanghai Xin Dong Industry Co., Ltd.	–	–	12,000	12,000
Shanghai Zhiyi Enterprise Ltd.	–	–	12,500	12,500
Shanghai Golden Luodian Development Co., Ltd.	27,000	–	–	6,000
Changchun New Town Automobile Industry Construct Co., Ltd.	20,000	–	–	–
	852,500	508,974	543,780	294,680
Amounts due to related parities	883,231	539,705	574,511	325,411

Compensation of key management personnel

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Eleven months ended 30 November 2011 unaudited	Eleven months ended 30 November 2012
Salaries and other employee benefits	735	1,988	1,724	1,610	760

23. COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments Group

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Contracted but not provided for	1,707	3,845	1,205	154

Operating lease arrangements as a lesser

The Group leases its investment property under operating lease arrangements, with leases negotiated for terms mainly ranging from 1 year to 15 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

The Group had total future minimum lease receivables under operating leases with its tenants falling due as follows:

Group

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Within one year	21,583	22,558	25,522	21,991
In the second to fifth years, inclusive	46,251	50,748	51,417	54,564
After five years	23,650	28,138	28,731	68,978
	91,484	101,444	105,670	145,533

The contingent rental income recognised in the years ended 31 December 2009, 2010, and 2011 and the eleven months ended 30 November 2012 were RMB4 million, RMB7 million, RMB9 million and RMB7 million, respectively.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of its businesses whilst managing its interest rate, credit and liquidity risks. The Group operates within its guidelines on financial risk management and it is the Group's policy not to engage in speculative transactions.

The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to interest-bearing bank borrowings. The interest rates and terms of repayment of the borrowings are disclosed in note 18.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments. The Group collects rentals and security deposits that are equivalent to one to three-month lease rentals to minimise its credit risk exposure.

The table below shows the maximum exposure to credit risk for the assets subject to credit risk at the end of Relevant Periods.

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Amounts due from related parties	–	89,800	46,300	73,300
Other receivables	3,651	240	1,132	1,580
Cash at banks	10,381	7,068	6,907	1,620
Total credit risk exposure	14,032	97,108	54,339	76,500

Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that its refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group endeavours to maintain sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain relationships with various banks so that funds may be drawn from available banking facilities when required to meet its obligations as they fall due. As far as possible, the Group obtains committed support or funding from its investor, SRE and its other subsidiaries and banks and balances its debt portfolio with some short term funding to achieve overall cost effectiveness.

The liquidity profile of the Group's financial liabilities as at the end of Relevant Periods is as follows:

	31 December 2009					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank borrowings	–	229,584	–	–	–	229,584
Accounts payable	–	609	–	–	–	609
Amounts due to related parties	883,213	–	–	–	–	883,213
Other payables	–	519	1,541	16,003	–	18,063
	883,213	230,712	1,541	16,003	–	1,131,469

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2010					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank borrowings	–	11,110	108,331	484,570	953,434	1,557,445
Accounts payable	–	691	–	–	–	691
Amounts due to related parties	539,705	–	–	–	–	539,705
Other payables	–	585	862	19,681	–	21,128
	539,705	12,386	109,193	504,251	953,434	2,118,969

	31 December 2011					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank borrowings	–	20,029	81,077	344,283	583,326	1,028,715
Accounts payable	–	105	–	–	–	105
Amounts due to related parties	574,551	–	–	–	–	574,551
Other payables	–	1,775	2,968	19,556	–	24,299
	574,551	21,909	84,045	363,839	583,326	1,627,670

	30 November 2012					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank borrowings	–	8,404	66,228	1,031,951	176,641	1,283,224
Accounts payable	–	143	–	–	–	143
Amounts due to related parties	325,411	–	–	–	–	325,411
Other payables	–	12,322	535	24,480	–	37,337
	325,411	20,869	66,763	1,056,431	176,641	1,646,115

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment policy or increase its paid-up capital. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank borrowings less cash and bank balances. Capital includes equity attributable to the owner of the Group. The gearing ratios are calculated as follows:

	31 December 2009	31 December 2010	31 December 2011	30 November 2012
Interest-bearing bank borrowings *(note 18)*	227,000	689,332	683,690	973,675
Less: Cash and bank balances *(note 16)*	(10,398)	(7,137)	(7,929)	(1,838)
Net Debt	216,602	682,195	675,761	971,837
Equity attributable to the owners of Huarui Asset Management	1,327,585	1,188,959	1,096,359	1,021,690
Capital and net debt	1,544,187	1,871,154	1,772,120	1,993,527
Gearing ratio	14%	36%	38%	49%

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Group's financial assets mainly include cash and bank balances, other receivables and amounts due from related parties.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings and payables.

The fair values of the Group's financial instruments are not materially different from their carrying amounts.

25. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or its subsidiary in respect of any period subsequent to 30 November 2012.

3. MANAGEMENT DISCUSSION AND ANALYSIS ON HUARUI ASSET MANAGEMENT

Liquidity and financial resources

As at 31 December 2009, 2010 2011 and 30 November 2012, Huarui Asset Management had cash and bank balances of approximately RMB10,398,000, RMB7,137,000, RMB7,929,000 and RMB1,838,000, respectively. Net current liabilities of Huarui Asset Management were approximately RMB1,116,521,000, RMB492,151,000, RMB597,422,000 and RMB303,539,000 as at 31 December 2009, 2010, 2011 and 30 November 2012 respectively. Current liabilities as of 30 November 2011 was mainly composed of amounts due to related parties which were interest-free and had no fixed repayment terms and Huarui Asset Management is not under any pressure to repay the money to the related parties.

Funding, treasury policies and objectives

Except for amounts due to related parties as abovementioned, Huarui Asset Management was also indebted to a bank under a long-term mortgage loan of RMB1,000,000,000. The loan, carrying interest at 110% of the People's Bank of China Benchmark Interest Rate for long term loans, will be gradually amortized in accordance with its repayment terms. In case of need, Huarui Asset Management may seek financial support from the Company and/or arrange for the refinancing of the existing term loan. Huarui Asset Management aims at reducing its gearing ratio with the pass of time as its operating result improves.

Operations of Huarui Asset Management

Huarui Asset Management is a limited liability company established in the PRC on 30 October 2007. The principal asset of Huarui Asset Management is the Retail Property and its principal activity is the operation and management of the Retail Property. Rental income amounted to approximately RMB28,439,000, RMB39,583,000, RMB44,289,000 and RMB43,889,000 for the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012, respectively. Profit/(loss) attributable to owners of Huarui Asset Management amounted to approximately RMB188,207,000, RMB(138,626,000), RMB(92,600,000) and RMB(131,669,000) for the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012, respectively. Huarui Asset Management recorded fair value gain for the Retail Property for the year ended 31 December 2009 while fair value loss for the Retail Property was recorded for the years ended 31 December 2010 and 2011 and the eleven months ended 30 November 2012.

Significant investments

During the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012, the sole significant investment of Huarui Asset Management was the Retail Property.

Material acquisitions and disposals

During the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012, Huarui Asset Management did not have any material acquisitions and disposals of subsidiaries and associated companies.

Segment information

During the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012, Huarui Asset Management derived its revenue principally from rental income generated from the Retail Property and accordingly there was only a single reportable segment, being the property leasing segment.

Employees

As at 31 December 2009, 2010, 2011 and 30 November 2012, Huarui Asset Management had 171, 164, 155 and 152 employees in the PRC respectively. Total staff costs for the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012 was approximately RMB8,852,000, RMB8,661,000, RMB10,562,000 and RMB10,260,000, respectively.

Charges on assets

As at 31 December 2009, 2010, 2011 and 30 November 2012, Huarui Asset Management had total interest-bearing bank borrowings of approximately RMB227,000,000, RMB689,332,000, RMB683,690,000 and RMB973,675,000, respectively. Such bank borrowings were secured by the pledge of Huarui Asset Management's investment property.

Future plans for material investments or capital assets

During the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012, Huarui Asset Management did not have any plans for material investments or capital assets.

Gearing ratio and capital structure

As at 31 December 2009, 2010 and 2011 and 30 November 2012, Huarui Asset Management had gearing ratios (total debts / total assets x 100%) of approximately 37.96%, 42.62%, 44.45% and 46.35%, respectively. During the years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012, debts of Huarui Asset Management mainly comprised bank borrowings and amounts due to related parties.

Exposure to fluctuations in exchange rates

The income and expenses of Huarui Asset Management were denominated in RMB and there were no foreign currency transactions during the three years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012.

Contingent liabilities

Huarui Asset Management did not have any contingent liabilities as at 31 December 2009, 2010, 2011 and 30 November 2012.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

The accompanying unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared to illustrate the effect of the exercise of a call option and acquisition of an indirect 40% interest in Huarui Asset Management (the "Acquisition") on the financial position of the Enlarged Group as if the Acquisition had taken place on 30 June 2012.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group (the "Pro Forma Financial Information") is prepared based on:

(a) the unaudited consolidated statement of financial position of SRE Group Limited (the "Company" or "SRE") and its subsidiaries (hereinafter referred to as the "Group") as at 30 June 2012, as extracted from the interim results announcement of the Company for the six months ended 30 June 2012;

(b) the carrying amount of the 40% non-controlling interests of Huarui Asset Management and its subsidiary as at 30 June 2012;

(c) the audited consolidated statement of financial position of Gao Feng Limited ("Gao Feng") and its subsidiary (hereinafter referred to as the "Gao Feng Group") as at 30 November 2012, which has been audited by Simon W.F. Ng & Company and as extracted from the Appendix II; and

(d) after taking into account the pro forma adjustments relating to the Acquisition that are directly attributable to the Acquisition transaction, as summarised in the accompanying notes.

The accompanying unaudited Pro Forma Financial Information is prepared by the directors to provide the unaudited pro forma financial information of the Enlarged Group upon completion of the Acquisition based on a number of assumptions, estimates and currently available information. As it is prepared for illustration purposes only, the accompanying unaudited Pro Forma Financial Information does not purport to describe the financial position that would have been presented had the Acquisition been completed or purport to predict the financial position of the Enlarged Group at any future dates.

The accompanying unaudited Pro Forma Financial Information should be read in conjunction with the unaudited financial statements of the Group and other financial information as set out in the circular dated 21 February 2013 (the "Circular") issued by the Company.

	The Group as at 30 June 2012	Gao Feng Group as at 30 November 2012	Unaudited Pro Forma Adjustments		Unaudited Pro Forma of the Enlarged Group
	(Note 1)				
	HK$000	*HK$000*	*HK$000*	*Notes*	*HK$000*
NON-CURRENT ASSETS					
Property, plant and equipment	3,067,725	–			3,067,725
Completed investment properties	5,301,129	–			5,301,129
Investment properties under construction	122,706	–			122,706
Prepaid land lease payments	524,677	–			524,677
Goodwill	644,979	–			644,979
Investments in jointly-controlled entities	72,245	–			72,245
Investments in associates	79,747	–			79,747
Derivative financial asset	53,974	–	(53,974)	*(3)*	–
Deferred tax assets	599,650	–			599,650
Non-current trade receivables	66,753	–			66,753
Non-current prepayments	805,346	–	(192,000)	*(2)*	613,346
Other non-current assets	57,085	–			57,085
Total non-current assets	11,396,016	–			11,150,042
CURRENT ASSETS					
Prepaid land lease payments	12,003,515	–			12,003,515
Properties held or under development for sale	9,409,072	–			9,409,072
Land development for sale	6,353,078	–			6,353,078
Inventories	22,503	–			22,503
Amounts due from associates	–	–			–
Prepayments and other current assets	390,020	–			390,020
Other receivables	1,048,119	–			1,048,119
Trade receivables	125,828	–			125,828
Prepaid income tax	226,130	–			226,130
Cash and bank balances	3,082,936	1	(458,000)	*(2)*	2,624,937
Total current assets	32,661,201	1			32,203,202
Total assets	44,057,217	1			43,353,244

	The Group as at 30 June 2012	Gao Feng Group as at 30 November 2012	Unaudited Pro Forma Adjustments		Unaudited Pro Forma of the Enlarged Group
	(Note 1)				
	HK$000	*HK$000*	*HK$000*	*Notes*	*HK$000*
CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	6,273,673	–			6,273,673
Convertible bonds – host debts	544,100	–			544,100
Guaranteed senior notes	560,339	–			560,339
Advances received from the pre-sale of properties under development	1,767,154	–			1,767,154
Trade payables	5,980,306	–			5,980,306
Other payables and accruals	2,092,294	75			2,092,369
Current income tax liabilities	2,150,350	–			2,150,350
Deferred income arising from land development	721,908	–			721,908
Amount due to a related company	36,660	–			36,660
Total current liabilities	20,126,784	75			20,126,859
NET CURRENT ASSETS/ (LIABILITIES)	12,534,417	(74)			12,076,343
TOTAL ASSETS LESS CURRENT LIABILITIES	23,930,433	(74)			23,226,385
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	8,034,637	–			8,034,637
Deferred income from sale of golf club membership	630,326	–			630,326
Deferred tax liabilities	1,935,267	–			1,935,267
Total non-current liabilities	10,600,230	–			10,600,230
NET ASSETS/(LIABILITIES)	13,330,203	(74)			12,626,155

	The Group as at 30 June 2012 (Note 1)	Gao Feng Group as at 30 November 2012	Unaudited Pro Forma Adjustments		Unaudited Pro Forma of the Enlarged Group
	HK$000	*HK$000*	*HK$000*	*Notes*	*HK$000*
EQUITY AND LIABILITIES					
Issued capital and premium	6,004,141	–			6,004,141
Other reserves	1,629,275	–	(176,482)	*(7)*	1,452,793
Retained profits	3,237,747	(99,732)	99,732	*(5)*	3,237,747
Equity attributable to owners of the parent	10,871,163	(99,732)			10,694,681
Non-controlling interests	2,459,040	–	(527,566)	*(4)*	1,931,474
Shareholder's loan	–	99,658	(99,658)	*(6)*	–
Total equity	13,330,203	(74)			12,626,155

Notes to the adjustments

Note 1 This represents the unaudited consolidated statement of financial position of the Group as at 30 June 2012, as extracted from the interim results announcement of the Company for the six months ended 30 June 2012. As at 30 June 2012, Huarui Asset Management was already a 60% owned subsidiary of certain wholly-owned subsidiaries of the Company. Therefore, the assets and liabilities of Huarui Asset Management have already been included in the consolidated financial statements of the Company as at 30 June 2012.

Note 2 The adjustment represents the settlement of the Acquisition consideration of approximately HK$650 million, which includes an earnest money of HK$192 million prepaid in 2011 and the remaining HK$458 million was paid in cash.

Note 3 The adjustment represents the effect of exercise of a call option by the Group as part of the Acquisition.

Note 4 The amount of HK$527,566,000 represents the carrying amount of the 40% non-controlling interests of Huarui Asset Management and its subsidiary as at 30 June 2012, which was acquired as a result of the Acquisition.

Note 5 The adjustment represents the elimination of equity of the Gao Feng Group, as the identifiable assets and liabilities in the Gao Feng Group was acquired upon completion of the Acquisition.

Note 6 This adjustment represents the elimination of Shareholder's Loan of Gao Feng which was acquired upon completion of the Acquisition.

Note 7 The amount of HK$176,482,000 represents the difference calculated as follows. Such difference is to be accounted for as a debit to the reserves in the consolidated financial statements of the Company as it is resulted from the Group's acquisition of non-controlling interest in Huarui Asset Management.

	HK$'000
Acquisition consideration *(note 2)*	650,000
Less: carrying amount of non-controlling interest in Huarui Asset Management as at 30 June 2012 *(note 4)*	(527,566)
Carrying amount of exercised call option as at 30 June 2012 *(note 3)*	53,974
Carrying amounts of the acquired Gao Feng Group's cash and accruals as at 30 November 2012	74
Adjustment made to the other reserves	176,482

Note 8 For the Purpose of the pro forma statement of financial position, the balances stated in RMB have been translated to Hong Kong Dollars ("HK$") at an exchange rate of HK1 = RMB0.8152, which is the prevailing exchange rate on 30 June 2012. The Acquisition consideration and the carrying amounts of the balances on the consolidated financial statement of the Gao Feng Group as at 30 November 2012 are all denominated in HK$.

Note 9 No adjustment has been made to reflect any trading results or other transaction of the Group and Huarui Asset Management Group entered into subsequent to 30 June 2012. In particular, no adjustment has been made for the Company distribution of a special dividend by way of distribution in specie of shares in CNTD on 3 October 2012.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

21 February 2013

The Directors
SRE Group Limited
Room 2501, 25th Floor, Office Tower, Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

SRE Group Limited and its subsidiaries
Unaudited pro forma financial information

We report on the unaudited pro forma statement of financial position (the "Unaudited Pro Forma Financial Information") of SRE Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the exercise of call option and the acquisition of the remaining indirect 40% interest in Shenyang Huarui Shiji Asset Management Co., Ltd., the Company's 60% indirectly-owned subsidiary (hereafter collectively referred to as the "Acquisition") (the Group upon completion of the Acquisition hereafter referred to as the "Enlarged Group"), might have affected the financial information presented, for inclusion in Appendix III to the circular dated 21 February 2013 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-5 in Appendix III to the Circular.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 Accountants' Reports on Pro Forma Financial Information in Investment Circulars issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group, as at 30 June 2012 or any future dates.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular, received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 November 2012 of the property interest.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

21 February 2013

The Board of Directors
SRE Group Limited
Room 2501, 25th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Pursuant to an Acquisition Agreement on 28 December 2012 entered into between Md. Li De E (李德娥)(the "**Vendor**", who holds an indirect 40% equity interest in Shenyang Huarui Shiji Asset Management Limited ("**Huarui Asset Management**") through Gao Feng Limited) and Sinopower Investment Limited (the "**Purchaser**"), a wholly-owned subsidiary of SRE Group Limited (the "**Company**"), the Purchaser conditionally agreed to purchase the entire issued share capital and relevant loan of Gao Feng Limited from the Vendor. As Huarui Asset Management is an indirect 60% owned subsidiary of the Company, the Vendor is a connected person of the Company. As at the date of acquisition, the principle asset of Huarui Asset Management is a retail property known as Rich Gate Shopping Mall in Shenyang. In addition, the Rich Gate Shopping Mall is currently one of the investment properties of the Company.

In accordance with your instructions to value the property in which Huarui Asset Management has interest in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property as at 30 November 2012 (the "**valuation date**").

Our valuation of the property interest represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Considering the size and nature of the property, there are unlikely to be relevant market comparables in the locality, therefore, we have adopted the income approach in our valuation by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including a State-owned Land Use Rights Certificate, a Building Ownership Certificate and tenancy agreements relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Yan Yiming Law Firm (上海嚴義明律師事務所), concerning the validity of the property interest in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have inspected the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 18 December 2012 by Mr. Eddie Yiu, who is a Chartered Surveyor and Ms. Fiona Zhang who graduated from the University of New South Wales with a master degree in property development.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T.W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 19 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held by Huarui Asset Management in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2012
Rich Gate Shopping Mall No. 118 Harbin Road Shenhe District Shenyang City Liaoning Province The PRC	Rich Gate is a large-scale complex with 3 high-rise residential blocks, an office tower, a hotel, a shopping mall and car-parking facilities in the basements. The property, known as Rich Gate Shopping Mall, was completed in 2008. It comprises a 5-storey shopping centre with 2-storey basement, together having a total gross floor area of approximately 245,252 sq.m. (total lettable area of approximately 121,261 sq.m.), the details of which are set out as follows: **Level** — **Lettable Area** *(sq.m.)* B1 — 20,520 F1 — 18,593.70 F2 — 20,924 F3 — 21,813 F4 — 22,270.20 F5 — 17,140.10 **Total: — 121,261** Basement level 2 of the property includes 708 car parking spaces. In addition to the lettable area of 20,520 sq.m. on Basement level 1 of the property, this level also includes 112 car parking spaces. The land use rights of the property have been granted for a term expiring on 9 June 2045 for commercial use.	As at the valuation date, portions of the property with a total lettable area of approximately 100,360.09 sq.m. were leased to various tenants for retail uses, whilst the remaining portion was vacant.	RMB2,724,000,000

Notes:

1. Rich Gate is a large-scale complex with 3 high-rise residential blocks, an office tower, a hotel and a shopping mall. The property is located at the heart of the new Central Business District of Shenyang. It is within 5-10 minutes' walk to the North Railway Station and about 30 minutes' drive to the Shenyang Taoxian International Airport.

2. Pursuant to a State-owned Land Use Rights Certificate – Shenyang Guo Yong (2008) No. SH00674, the land use rights of the property with an apportioned land area of approximately 28,520.30 sq.m. have been granted to Shenyang Huarui Shiji Asset Management Limited ("**Huarui Asset Management**", a 60% interest owned subsidiary of the Company) for a term expiring on 9 June 2045 for commercial use.

3. Pursuant to a Building Ownership Certificate – Shen Fang Quan Zheng Shi Shen He Zi Di No. 12361, the property with a total gross floor area of approximately 245,252 sq.m. is owned by Huarui Asset Management.

4. Pursuant to a Tenancy Agreement entered into between Huarui Asset Management and Shenyang Huarui Commercial Development Management Co., Ltd. (瀋陽華銳商業管理發展有限公司, "**Huarui Commercial Development**", a wholly-owned subsidiary of Huarui Asset Management), the property is entirely leased to Huarui Commercial Development for a term commencing from 9 April 2012 and expiring on 8 April 2013. The total annual rental is approximately RMB45,000,000. Huarui Commercial Development has the whole use rights of the property and can legally sublease the property. As confirmed by Huarui Commercial Development, the rental has been fully paid in year 2012.

5. Pursuant to 149 Tenancy Agreements, portions of the property with a total lettable area of approximately 100,360.09 sq.m. were leased to various tenants by Huarui Commercial Development with the expiry dates between 31 December 2012 and 9 March 2025 at a total monthly rental of approximately RMB 4,233,000 exclusive of management fees, water and electricity charges.

6. Pursuant to a car parking contract entered into between Shenyang Jieanbo Property Co., Ltd.(Shenyang Jieanbo) and Shenyang Huarui Commercial Development, 583 underground car parking lots and 220 open car parking lots were operated by Shenyang Jieanbo. The contract will expire on 31 March 2014. As advised by Huarui Commercial Development, the annual payment to Huarui Commercial Development is approximately RMB1,150,000.

7. Pursuant to a Fix Assets financing Loan Agreement dated 12 May 2012 entered into between Industrial and Commercial Bank of China – Shenyang Dadong Branch and Huarui Asset Management, the property was pledged as a security to secure a loan from the bank in the amount of RMB1,000,000,000. In arriving at our valuation, no allowance has been made for the effect of this pledge on the value of the property.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers – Yan Yiming Law Firm, which contains, *inter alia*, the following:

   a. Huarui Asset Management has legally obtained the Land Use Rights Certificate and Building Ownership Certificate of the property;

   b. Huarui Asset Management, as the owner of the property, has the rights to lease the property to Shenyang Huarui Commercial Development. Shenyang Huarui Commercial Development has the prior rights to purchase the property on the same terms when Huarui Asset Management disposes of the property; and

   c. the property was subject to a mortgage as at 31 December 2012 and upon obtaining the approval of mortgagee, there is no legal impediment in the transfer of the property in the open market.

9. Our valuation has been made on the following basis and analysis:

   a. Huarui Asset Management has legal rights to hold the property and receive incomes from operation of the property within the land use rights term of the property expiring on 9 June 2045;

   b. The occupancy rate was approximately 83% as at the valuation date provided by Huarui Commercial Property. Based on the market research, the allowed vacancy rate losses adopted in our valuation range from 5% to 15% considering the particular location of individual shop units.

   c. We have considered the actual rents in the existing tenancy agreements and also compared with shopping centres such as New Richgate Shopping Centre mall and Bailian Shopping Center, which are located in the same business circle (known as Golden Corridor) and have the similar tenants mix as the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. Ground floor rents of the comparables range from RMB8 to RMB20 per. sq.m per day. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at the ground floor market rent. We further derived the market rents of the upper floors with analysis of the physical layout and condition, taking into account the existing rental rate in each floor of the subject property. For shopping malls, apart from other different attributes between the comparables and the subject property for ground floor, the upper floors of malls additionally varied differently in the ease of internal vertical circulation (eg. amount and location of lifts and escalators), therefore using comparable rent of the ground level as the starting basis of valuation analysis is considered more appropriate.

Term rent from the existing tenancy agreements are lower than the market rent because a) a number of existing tenancy agreements have long term tenancy contract with lower rental rate compared with the market rent as at the valuation date; and b) increasing numbers of anchor tenants entering the subject property with rental concessions. In our valuation, we have considered the term rents of existing tenancy agreements for occupied area which are lower than the market rent and therefore weigh on and have a negative impact on the valuation.

d. Based on our research on prime retail market and relevant market analysis report in the second tier cities, like Shenyang, the stabilised market yield ranged from 5.5% to 6.5% as at the valuation date. Considering the location and characteristics of the property, we have applied a market yield of 6% as the capitalisation rate in the valuation.

1. RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTEREST

(i) Directors' and chief executives interests in securities

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be made known to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be made known to the Company and Stock Exchange, were as follows:

Long position in Shares of the Company

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	13,006,991	2,324 *(Note 1)*	2,937,414,128 *(Note 2)*	2,950,423,443	52.08%
Li Yao Min	5,172,324	–	–	5,172,324	0.09%
Yu Hai Sheng	6,236,091	–	–	6,236,091	0.11%
Zhuo Fumin	–	160,000 *(Note 3)*	–	160,000	0.003%

Notes:

1. These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.

2. These 2,937,414,128 Shares were held by SRE Investment Holding Limited ("SRE Investment"). As Mr. Shi Jian and his spouse, Mr. Si Xiao Dong together beneficially own 63% of the issued share capital of SRE Investment, Mr. Shi was deemed to be interested in these 2,937,414,128 Shares.

3. These Shares were held by Md. He Pei Pei, the spouse of Mr. Zhuo Fumin.

Save as disclosed above and so far as was known to the Directors as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be made known to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be made known to the Company and Stock Exchange.

(ii) Substantial shareholders' interests in securities

As at the Latest Practicable Date, so far as is known to any Director or chief executives of the Company, the following persons, other than a Director or chief executives of the Company, had interests of the Company or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

Name of Shareholder	Capacity	Number of issued ordinary shares held *(Note 1)*	Approximate percentage of shareholding
Si Xiao Dong	Beneficial owner, spouse and corporate interest	2,950,423,443 (L) *(Note 2)*	52.08%
SRE Investment	Beneficial owner	2,937,414,128 (L)	51.85%

Notes:

(1) "L" represents long positions in Shares and "S" represents short positions in Shares.

(2) These Shares comprised 2,324 Shares held by Md. Si Xiao Dong, 13,006,991 Shares held by her spouse – Mr. Shi Jian and 2,937,414,128 Shares which SRE Investment was interested in.

Save as disclosed above, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or terminable by the employer within one year, without payment of compensation (other than statutory compensation) between any of the Directors and any member of the Enlarged Group.

4. COMPETING INTERESTS

So far as the Directors are aware, none of the Directors or their respective associates had any interest in any interest in any business which competes or its likely to compete, either directly or indirectly, with the business of the Group as at the Latest Practicable Date.

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which has been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2011, being the date to which the latest published audited accounts of the Group were made up.

6. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

The following contracts have been entered into by the Enlarged Group (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular:

(i) the convertible note subscription agreement dated 6 May 2011 between the Company as issuer and SRE Investment Holding Limited as the subscriber in relation to the subscription of up to HK$550,000,000 in aggregate principal amount of 2% convertible bonds of the Company due 2016;

(ii) the sale and purchase agreement dated 18 November 2011 entered into between Shanghai Jinmei Construction & Decoration Co., Ltd.* as vendor and Shenyang Luyi Property Company Limited*, a wholly-owned subsidiary of the Company as

* *for identification purpose only*

purchaser in relation to the sale and purchase of 7.5% of the entire registered capital of Liaoning High School Support Group Property Development Limited* at a consideration of RMB185,000,000;

(iii) the conditional underwriting agreement dated 30 April 2012 entered into between the Company and SRE Investment Holding Limited in relation to the underwriting of a rights issue on the basis of one rights share for every seven share held;

(iv) the sale and purchase agreement dated 18 May 2012 entered into between Gold Bright Resources Limited, an indirect wholly-owned subsidiary of the Company, as vendor and Lotus Holding Company Limited as purchaser in relation to the sale and purchase of one share in the issued share capital of Go High Investments Limited at a consideration of RMB378,573,000; and

(v) the Acquisition Agreement.

Save as already disclosed or otherwise previously announced, no material contract (not being contract entered into in the ordinary course of business) has been entered into by any member of the Enlarged Group within the two years immediately preceding the issue of this circular.

9. EXPERTS AND CONSENTS

(i) The following are the qualifications of the experts who have given its opinions and advice which are included in this circular:

Name	Qualification
Chanceton Capital	a licensed corporation under the SFO to conduct type 6 regulated activities (advising on corporate finance)
Ernst & Young ("**E&Y**")	Certified Public Accountants
Simon W.F. Ng & Company ("**SWFN**")	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**Jones Lang LaSalle**")	Property valuer and consultants

(ii) None of Chanceton Capital, E&Y, SWFN and Jones Lang LaSalle has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

* *for identification purpose only*

(iii) Each of Chanceton Capital, E&Y, SWFN and Jones Lang LaSalle has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

(iv) None of Chanceton Capital, E&Y, SWFN and Jones Lang LaSalle had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up.

10. MISCELLANEOUS

(i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its Hong Kong office is situated at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

(ii) The secretary of the Company is Ms. Hui Sze Wai Sylvie, who is an associate member of the Hong Kong Institute of Certified Public Accountants.

(iii) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(iv) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (except Saturdays and public holidays) at the office of the Company at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for a 14 day period from the date of this circular.

(i) the memorandum and articles of association of the Company;

(ii) the letter from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(iii) the letter from Chanceton Capital containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Chanceton Capital" in this circular;

(iv) the accountants' reports on the Subject Company and Huarui Asset Management for the three years ended 31 December 2009, 2010 and 2011 and the eleven months ended 30 November 2012 set out in Appendix II to this circular;

(v) the accountants' report in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(vi) the property valuation report set out in Appendix IV to this circular;

(vii) the annual reports of the Company for each of the two years ended 31 December 2010 and 2011;

(viii) the interim report of the Company for the six months ended 30 June 2012;

(ix) the letters of consent referred to under the paragraph headed "Experts and Consents" in this appendix;

(x) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and

(xi) each of the circulars issued by the Company pursuant to Chapters 14 and 14A of the Listing Rules since 31 December 2011 including this circular.