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# **SRE Group Limited**

## **上置集團有限公司 \***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1207)**

### **CONNECTED TRANSACTION**

#### **ACQUISITION OF THE REMAINING 49% INTEREST IN**

**上海住富房地產發展有限公司**

**(SHANGHAI ZHUFU PROPERTY DEVELOPMENT CO., LTD.\*)**

The Board announces that on 29 June 2007, Wellton, a wholly-owned subsidiary of the Company, as transferee and the Vendor as transferor entered into the Transfer Agreement, pursuant to which the Transferee agreed to acquire and the Transferor agreed to sell the Acquisition Interest for a consideration of RMB70 million (equivalent to approximately HK\$70 million) payable in cash by Wellton to the Vendor. The Company, through Shanghai Oasis Garden, its 98.75% owned subsidiary, acquired 51% equity interest in Shanghai Zhufu in December 2002. By the Company acquiring the remaining 49% equity interest through Wellton, Shanghai Zhufu will be owned by the Group as to approximately 99.36% equity interest upon the Completion.

As the Vendor is a substantial shareholder of Shanghai Zhufu, a subsidiary of the Company, and thus a connected person of the Company, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the assets ratio, revenue ratio and consideration ratio under Rule 14.07 of the Listing Rules exceed 0.1% but are below 2.5%, the Acquisition is subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

### **THE TRANSFER AGREEMENT DATED 29 JUNE 2007**

#### **Parties**

Transferor : the Vendor

Transferee : Wellton, a wholly-owned subsidiary of the Company

As at the date of this announcement, the shareholding structure of Shanghai Zhufu is as follows:–

| <b>Shareholder</b>    | <b>Equity interest (%)</b> |
|-----------------------|----------------------------|
| Shanghai Oasis Garden | 51%                        |
| the Vendor            | 49%                        |

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### **Assets to be acquired**

Pursuant to the Transfer Agreement, the Transferee agreed to acquire from the Transferor the Acquisition Interest, representing a 49% equity interest in Shanghai Zhufu.

### **Consideration**

The consideration for the Acquisition Interest is RMB70 million (equivalent to approximately HK\$70 million) and shall be payable in the following manner: (a) HK\$40 million to be payable as advance payment in cash by Wellton to the Vendor within 10 Business Days after the date of the Transfer Agreement; and (b) the full Consideration (after setting off the amount paid in advance) to be payable in cash within 10 Business Days from the Completion Date. If the Acquisition is not completed, the advance payment in (a) shall be repaid by the Vendor to Wellton without interest.

The Consideration which is to be financed from the Company's internal resources was determined after arm's length negotiations between the parties to the Transfer Agreement taking into account the location of the Property, the size of the development and the market price of properties in Shanghai.

The Transferee and the Transferor will arrange for a valuation of the Acquisition Interest based on net asset value in compliance with relevant PRC regulatory requirements. If the result of such valuation of the Acquisition Interest is significantly different from the Consideration, the Transferee and the Transferor will negotiate on an adjustment to the Consideration according to the assessed value of the Acquisition Interest. A further announcement will be made by the Company if the Consideration is adjusted. If the Consideration is adjusted such that the consideration ratio for the Acquisition reaches 2.5% or more, the Company will comply with the applicable requirements of the Listing Rules and seek approval of the independent Shareholders for the Acquisition. If (a) the consideration ratio for the Acquisition reaches 2.5% or more but independent Shareholders' approval cannot be obtained; or (b) no agreement can be reached between the Transferee and the Transferor as to the adjustment to the Consideration, the Acquisition will not be completed and the Transfer Agreement will terminate.

## Conditions and Completion

Completion of the Transfer Agreement is subject to the satisfaction of the following conditions precedent, all of which are waivable at the Transferee's discretion:

- (i) acknowledgement by both the Transferor and the Transferee of the choice of valuer and result of valuation of the Acquisition Interest, and if the result of the valuation of the Acquisition Interest is significantly different from the Consideration, agreement by the Transferor and the Transferee on the adjustment to the Consideration according to the assessed value of Acquisition Interest;
- (ii) entering into of articles of association and joint venture agreement of Shanghai Zhufu by the Transferee and Shanghai Oasis Garden;
- (iii) the obtaining of all approvals and/or consents necessary for the Transferor for the Acquisition (including but not limited to approval by the shareholders and the board of directors of the Transferor for the Acquisition and waiver of the pre-emptive rights in the Acquisition Interest by Shanghai Oasis Garden);
- (iv) the obtaining or completion of all approvals and/or consents necessary or reasonably required by the Transferee for the Acquisition (including but not limited to approval by the board of directors and shareholders of Shanghai Zhufu of the Acquisition and the issue of approval, authorization certificate and business licence and filing procedures);
- (v) completion of the due diligence investigation on Shanghai Zhufu and the Property by the Transferee and the Transferee being satisfied with the results of such due diligence investigation;
- (vi) issue of a PRC legal opinion by the PRC legal adviser of the Transferee confirming the legality, enforceability and validity of the contents of the legal documents in connection with the Acquisition;
- (vii) registration of the equity transfer of the Acquisition Interest to the Transferee by the Shanghai Qingpu District Industrial and Commercial Administration Bureau; and
- (viii) there being no event(s) which has/have happened or which happen, individually or as a whole, will reasonably be expected to have material adverse impact on Shanghai Zhufu.

Completion shall take place on the fifteenth Business Day after the day on which all the Conditions are fulfilled (except waived by the Transferee in writing).

In the event that any of the Conditions is not fulfilled on or before 30 September 2007 or such later date to be agreed by the Transferee and the Transferor (except waived by the Transferee in writing), the Transfer Agreement will immediately terminate and neither parties to the Transfer Agreement shall have any liability to the other party.

If the relevant approval authority requires any amendment to any related document of the Acquisition as a condition precedent to the approval of the Acquisition, any party to the Transfer Agreement which does not accept such amendment may give notice to terminate the Transfer Agreement. If the relevant approval authority imposes any condition or alteration to the scope of business of Shanghai Zhufu which is not acceptable to the Transferee and such issue is not resolved by the parties to the Transfer Agreement within 30 days thereafter, the Transferee shall have the right to require the Vendor to take necessary measures to cancel the approval granted and resume both parties' positions to that before the date of the Transfer Agreement and to terminate the Transfer Agreement.

Within 2 years from the date of the Transfer Agreement, the Transferor shall not, directly or indirectly, alone or jointly, through or by holding the office of manager, consultant, adviser or agent, compete with the businesses operated by Shanghai Zhufu as at the date of the Transfer Agreement or thereafter in any district which Shanghai Zhufu operates its business; deal with customers of Shanghai Zhufu within 12 months before the date of the Transfer Agreement; employ, engage or solicit, any staff, employees, directors or managers of Shanghai Zhufu or those staff, employees, directors or managers within 12 months before the date of the Transfer Agreement who is able to utilize business contacts of Shanghai Zhufu; or damage the goodwill of Shanghai Zhufu or adversely affect businesses of Shanghai Zhufu.

## **INFORMATION ON SHANGHAI ZHUFU**

Shanghai Zhufu is a limited liability company established in the PRC with a registered capital of RMB10 million (equivalent to approximately HK\$10 million). As at the date of the Transfer Agreement, the entire registered capital of Shanghai Zhufu had been paid up. Shanghai Zhufu is currently owned as to 51% by Shanghai Oasis Garden, a subsidiary of the Company and as to 49% by the Transferor.

The principal activity of Shanghai Zhufu is the development of the Property. Shanghai Zhufu owns the land use rights to the Property which is located at Nos. 6 and 18-1, Nangang Village, Zhujiajiao Town, Qingpu District, Shanghai, PRC. The Property is developed for residential purpose and with a site area of approximately 316,000 square meters and a gross floor area of approximately 56,000 square meters.

The audited net assets of Shanghai Zhufu as at 31 December 2006 was approximately RMB29 million (equivalent to approximately HK\$29 million). The audited profit before and after taxation of Shanghai Zhufu for the year ended 31 December 2005 were RMB7.42 million (equivalent to approximately HK\$7.42 million) and RMB4.97 million (equivalent to approximately HK\$4.97 million) respectively, and the audited loss of Shanghai Zhufu for the year ended 31 December 2006 was RMB2.13 million (equivalent to approximately HK\$2.13 million). The audited loss of Shanghai Zhufu in the year ended 31 December 2006 was due to the decrease in property sales in that year during which Phase II of the Property was still under development.

The original purchase cost of the Vendor for the 49% equity interest it currently holds in Shanghai Zhufu was RMB6,000,000 (equivalent to approximately HK\$6,000,000).

Shanghai Zhufu is consolidated as a subsidiary in the audited consolidated account of the Group before the Completion, and will continue to be so consolidated after the Completion. Shanghai Zhufu will be owned by the Group as to approximately 99.36% equity interest upon the Completion.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in property development and investment in the PRC. The Directors consider the acquisition of the remaining 49% interest in Shanghai Zhufu will give an opportunity for the Group to indirectly increase its land reserve at a reasonable price. Following the Completion, the Group will have nearly full control over the Property by becoming interested in approximately 99.36% of the equity interest in Shanghai Zhufu. The Directors believe that the Group's investment in Shanghai Zhufu will enable the Group to strengthen its business in the field of property development in Shanghai.

The Directors consider that the terms of the Transfer Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## GENERAL

The Vendor is principally engaged in investment and management.

As the Vendor is a substantial shareholder of Shanghai Zhufu, a subsidiary of the Company, and thus a connected person of the Company, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the assets ratio, revenue ratio and consideration ratio under Rule 14.07 of the Listing Rules exceed 0.1% but are below 2.5%, the Acquisition is subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

## DEFINITIONS

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

|                        |  |
|------------------------|--|
| “Acquisition”          | the acquisition of the Acquisition Interest by Wellton under the Transfer Agreement from the Vendor                                  |
| “Acquisition Interest” | 49% equity interest in the equity capital of Shanghai Zhufu  |
| “associates”           | has the meaning ascribed to it under the Listing Rules   |
| “Board”                | the board of directors of the Company  |
| “Business Day”         | a day (other than Saturdays, Sundays and PRC public holidays) on which commercial banks in the PRC are open for business             |
| “Company”              | SRE Group Limited (上置集團有限公司*), a company incorporated under the laws of Bermuda the shares of which are listed on the Stock Exchange |

|                         |  |
|-------------------------|--|
| “Completion”            | completion of the Acquisition as referred to in this announcement under the paragraph headed “Conditions and Completion”   |
| “Completion Date”       | the fifteenth Business Day after the day on which all the Conditions are fulfilled   |
| “Conditions”            | the conditions precedent to the Completion, as more particularly set out under the paragraph headed “Conditions and Completion”  |
| “connected person”      | has the meaning ascribed to it under the Listing Rules   |
| “Consideration”         | RMB70 million, (equivalent to approximately HK\$70 million), which is the aggregate amount to be paid in cash by Wellton to the Vendor for the Acquisition Interest  |
| “Directors”             | the director(s) of the Company   |
| “Group”                 | the Company and its subsidiaries   |
| “HK\$”                  | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”             | the Hong Kong Special Administrative Region of the PRC   |
| “Listing Rules”         | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “PRC”                   | the People’s Republic of China   |
| “Property”              | the real estate development known as “Jiang Nan Oasis Garden (綠州江南園)” situated at Nos. 6 and 18-1, Nangang Village, Zhujiajiao Town, Qingpu District, Shanghai, PRC which is more particularly described in the session headed “Information on Shanghai Zhufu” |
| “RMB”                   | Renminbi, the lawful currency of the PRC   |
| “Shanghai Oasis Garden” | 上海綠洲花園置業有限公司 (Shanghai Oasis Garden Real Estate Co., Ltd.*), a company of limited liability established in the PRC and a 98.75% owned subsidiary of the Company  |
| “Shanghai Zhufu”        | 上海住富房地產發展有限公司 (Shanghai Zhufu Property Co., Ltd.*), a company of limited liability established in the PRC with a registered capital of RMB10 million   |
| “Shareholder(s)”        | holder(s) of share(s) of the Company   |
| “Stock Exchange”        | The Stock Exchange of Hong Kong Limited  |

|                           |   |
|---------------------------|---|
| “Transfer Agreement”      | the conditional transfer agreement dated 29 June 2007 entered into between the Vendor as transferor and Wellton as transferee in relation to the Acquisition      |
| “Transferor” or “Vendor”  | 上海海展投資管理有限公司 (Shanghai Haizhan Investment and Management Company Limited*), which holds 49% equity interest in Shanghai Zhufu as at the date of this announcement |
| “Wellton” or “Transferee” | Wellton Resources Limited 偉東資源有限公司, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company          |
| “%”                       | per cent  |
| “*”                       | for identification purpose only   |

*As at the date of this statement, the Company’s executive directors are Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Jiang Xu Dong; non-executive directors are Mr. Cheung Wing Yui and Mr. Jin Bing Rong; and independent non-executive directors are Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E. Hock Yap.*

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

Hong Kong, 3 July 2007

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