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SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

**MAJOR AND CONNECTED TRANSACTION
AND MATERIAL DILUTION OF A MAJOR SUBSIDIARY
IN RELATION TO
THE ACQUISITION OF QUALICO INVESTMENTS LIMITED**

On 29 November, 2007, the Vendor, the Purchaser and China Edifice entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and take assignment of, the Sale Share and the Sale Loan for the aggregate consideration of HK\$1,987,000,000, which shall be satisfied at Completion by China Edifice issuing at the direction of the Vendor 3,496 Consideration Shares to Ng Chi Ming and 304 Consideration Shares to Pinpoint China Fund, both being the existing shareholders of the Vendor, credited as fully paid-up. The Sale Share represents the entire issued share capital of Qualico Investments, which has entered into the Transfer Agreement to acquire a 49% equity interest in Huarui Asset Management from the Vendor. The Vendor will make the Sale Loan to Qualico Investments to enable it to complete the Transfer Agreement.

As the Vendor is a substantial shareholder of Huarui Asset Management and Huarui Investment, both of which are subsidiaries of the Company, it is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under the Listing Rules. Since the Applicable Percentage Ratios for the Acquisition exceed 2.5% and the consideration for the Acquisition is more than HK\$10,000,000, the Acquisition is subject to the reporting, disclosure and independent shareholders' approval requirements under the Listing Rules.

As one of the Applicable Percentage Ratios for the Acquisition exceeds 25%, the entering into of the Acquisition also constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, disclosure and shareholders' approval requirements under the Listing Rules. In addition, China Edifice is regarded as a major subsidiary of the Company under the Listing Rules, and the issue of the Consideration Shares by China Edifice pursuant to the Acquisition Agreement constitutes a material dilution of the Group's percentage interest in China Edifice and is subject to

approval by the Shareholders under Rule 13.36(1) of the Listing Rules. Furthermore, the issue of the Consideration Shares by China Edifice constitutes a deemed disposal by the Company of its percentage interest in China Edifice under Rule 14.29 of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Acquisition and an independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. A circular containing, amongst other things, details of the terms of the Acquisition, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders, the notice convening the SGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

THE ACQUISITION AGREEMENT

Date

29 November, 2007

Parties

- (1) Vendor: Elegant Parkview Limited, a connected person of the Company by virtue of it being a substantial shareholder of Huarui Asset Management and Huarui Investment, both of which are subsidiaries of the Company. To the best of the Directors' knowledge, the Vendor and its beneficial owners do not hold any shares in the Company.
- (2) Purchaser: China Edifice Ltd., a direct wholly-owned subsidiary of China Edifice and an indirect wholly-owned subsidiary of the Company
- (3) China Edifice, an indirect wholly-owned subsidiary of the Company

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire from the Vendor and the Vendor has conditionally agreed to sell to the Purchaser the Sale Share representing the entire issued share capital of Qualico Investments and to assign the Sale Loan to the Purchaser.

Information on Qualico Investments

Qualico Investments is an investment holding company incorporated under the laws of Hong Kong on 19 September 2007 which will upon completion of the Transfer Agreement hold a 49% equity interest in Huarui Asset Management.

For the period from its incorporation to the date of the Acquisition Agreement, Qualico Investments recorded nil revenue and an immaterial loss before and after tax after administrative expenses to maintain it as a duly registered company. As of 31 October, 2007, the net asset value of Qualico Investments was HK\$1.00 representing its total issued share capital of HK\$1.00 as of that date. As at the date of the Acquisition Agreement, Qualico Investments has no assets but has entered into the Transfer Agreement to acquire a 49% equity interest in Huarui Asset Management from the Vendor. The Vendor will make the Sale Loan to Qualico Investments to enable it to complete the Transfer Agreement.

Information on Huarui Asset Management

Huarui Asset Management was established under the laws of the PRC on 30 October, 2007 as a result of the de-merger (分立) of Huarui Investment pursuant to which Huarui Asset Management was split from Huarui Investment and became a new company with a registered capital of US\$10,000,000 (approximately HK\$78,000,000). Huarui Asset Management is owned as to 51% by the Group. As at the date of this announcement, the Vendor beneficially owns a 49% equity interest in Huarui Asset Management and has entered into the Transfer Agreement for the transfer of such equity interest to Qualico Investments. Upon completion of the Transfer Agreement, Qualico Investments will legally and beneficially own a 49% equity interest in Huarui Asset Management.

Based on the unaudited financial statements of Huarui Asset Management, which were prepared in accordance with generally accepted accounting principles in the PRC, the unaudited net asset value of Huarui Asset Management as at each of 31 December, 2005, 31 December, 2006 and 31 October, 2007 (on the basis that the Assets and Liabilities had been injected into Huarui Asset Management at the respective dates) was approximately RMB80,000,000 (approximately HK\$84,000,000). Huarui Asset Management did not record any revenue or profit or loss since its date of establishment on 30 October, 2007 up to 31 October, 2007, the date to which the aforesaid management accounts had been made up. There was no net profit or net loss before and after taxation recorded in respect of the Assets and the Liabilities for each of the two years ended 31 December, 2005 and 31 December, 2006.

The principal assets of Huarui Asset Management will be the Properties and its principal activity is the leasing of self-owned properties.

Information on the Properties

The Properties are located at the Western part of Huigong Plaza, Shenhe District, Shenyang, Liaoning Province, the PRC. The Properties comprise the 5-storey Shenyang Richgate Shopping Mall with a 2-level basement and Shenyang Lexington Huafu Hotel, a service apartment hotel, the construction of which had been completed recently.

Shenyang Richgate Shopping Mall has a gross floor area of approximately 242,000 sq.m. and Shenyang Lexington Huafu Hotel has a gross floor area of approximately 54,900 sq.m.. The 1st to 5th floors of Shenyang Richgate Shopping Mall are occupied for commercial use and the remaining 2-level basement comprises 1,200 car parking spaces and several commercial and ancillary units.

The land use rights of the Properties were granted for a term of 40 years for commercial use and for a term of 50 years for apartment and hotel uses, respectively.

Based on the valuation of an independent valuer, the Properties are valued at RMB\$6,200,000,000 as of 31 October, 2007.

Consideration

The aggregate consideration for the Sale Share and the Sale Loan is HK\$1,987,000,000, which will be satisfied at Completion by China Edifice issuing 3,496 Consideration Shares to Ng Chi Ming and 304 Consideration Shares to Pinpoint China Fund at the issue price of HK\$522,894.74 per Consideration Share, credited as fully paid-up, at the direction of the Vendor. Both Ng Chi Ming and Pinpoint China Fund are the existing shareholders of the Vendor. The Consideration Shares will represent 38% of the issued share capital of China Edifice as enlarged by the issue of the Consideration Shares.

The consideration for the Acquisition was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the unaudited net asset value of Huarui Asset Management as at 31 October, 2007 and the valuation of the Properties as of 31 October, 2007 as valued by an independent valuer.

China Edifice is an investment holding company and is at present wholly-owned by the Company. China Edifice was incorporated on 28 September, 2007 and it did not have net asset value figures nor net profit or net loss figures for each of the two years ended 31 December, 2005 and 31 December, 2006. After Completion, the financial results of China Edifice and its subsidiaries will continue to be consolidated into the accounts of the Company.

Conditions

Completion is conditional upon the following conditions being satisfied or waived by the Purchaser (as the case may be) on or before the Long Stop Date or such later date as may be agreed in writing between the parties to the Acquisition Agreement:

- (a) the passing of a resolution at the SGM by the Independent Shareholders by way of a poll to approve the Acquisition Agreement and the transactions contemplated thereunder;
- (b) completion of all de-merger procedures of Huarui Investment, including but not limited to completion of the segregation of the Assets and Liabilities from Huarui Investment and allocation of the same to Huarui Asset Management and the receipt by or on behalf of the Purchaser of documentation to the satisfaction of the Purchaser evidencing the completion of the same;
- (c) completion of the Transfer Agreement and the receipt by or on behalf of the Purchaser of documentation to the satisfaction of the Purchaser evidencing such completion;

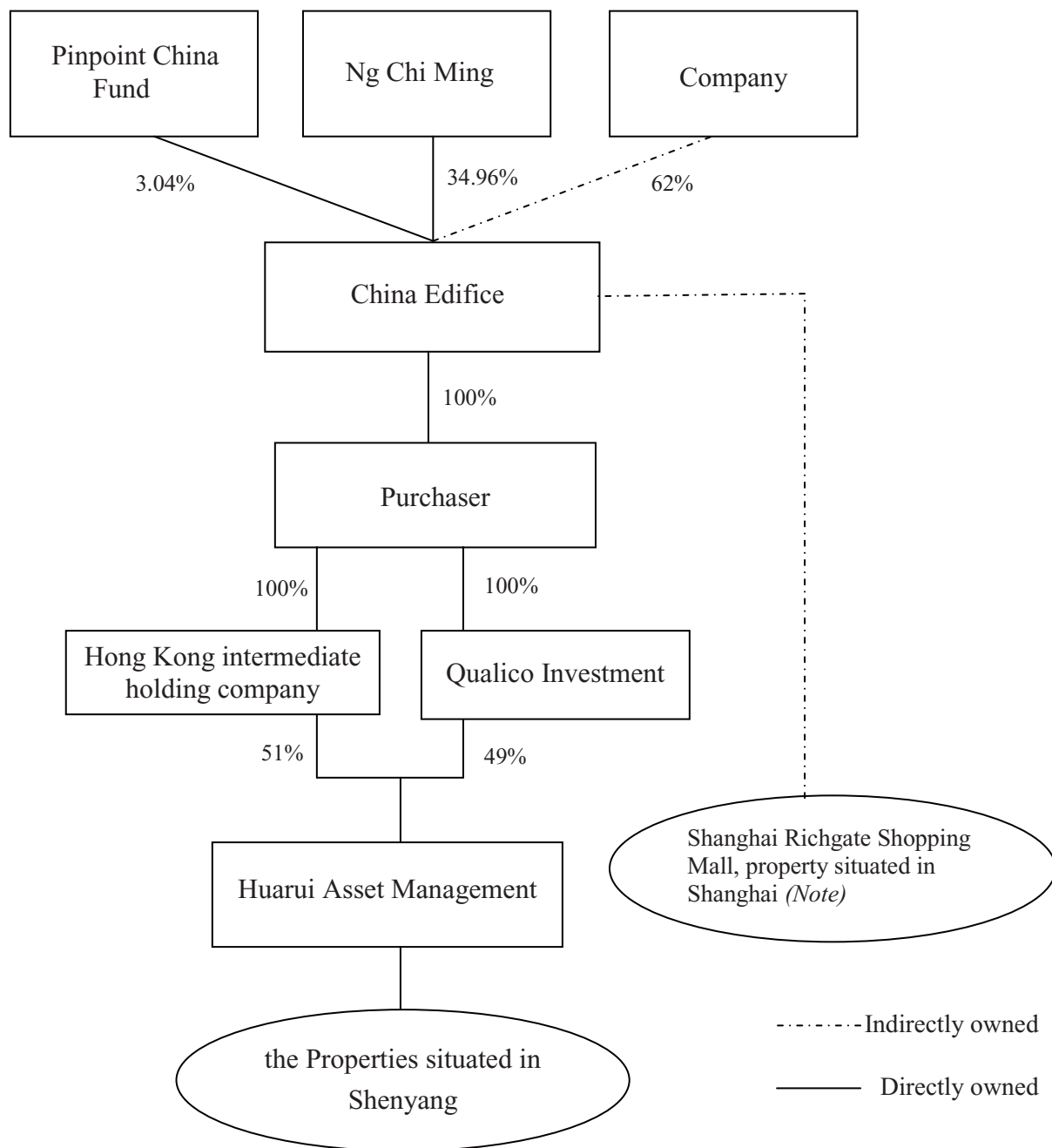
- (d) the Purchaser undertaking and completing a due diligence investigation in respect of Qualico Investments, Huarui Asset Management and the Properties (including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financial structure and shareholding structure of Qualico Investments and Huarui Asset Management) and the Purchaser being satisfied with the results of such due diligence investigation in all respects;
- (e) the receipt by or on behalf of the Purchaser of a legal opinion issued by a firm of qualified lawyers in the PRC in such form and content as may be satisfactory to the Purchaser regarding, amongst other things, the legal status, ownership, shareholding structure and registered capital in Huarui Asset Management, the title to the Properties, completion of the de-merger procedures of Huarui Investment and the segregation of the Assets and Liabilities from Huarui Investment and allocation of the same to Huarui Asset Management, completion of the Transfer Agreement and any other matters which the Purchaser considers relevant in connection with the sale and purchase contemplated thereunder;
- (f) there having been no breach of any of the warranties, representations and undertakings given by the Vendor in the Acquisition Agreement; and
- (g) the parties to the Acquisition Agreement having obtained any and all other consents, permits, approvals, authorisations and waivers necessary, desirable or appropriate for the entering into and consummation of the transactions contemplated by the Acquisition Agreement.

If any of the Conditions is not fulfilled or waived by the Purchaser (other than the conditions in (a) to (c) above which cannot be waived) on or before 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 breach.

Completion of the Acquisition

Subject to and conditional upon fulfillment or waiver of all the Conditions on or before the Long Stop Date, Completion shall take place on the Completion Date. After Completion, both Qualico Investments and Huarui Asset Management will become wholly-owned subsidiaries of China Edifice and China Edifice will become a 62% owned subsidiary of the Company with the remaining 38% being owned by

the shareholders of the Vendor. Set out below is the simplified shareholding structure of Huarui Asset Management immediately after Completion:



Note: Held through a three tier structure comprising a BVI and a Hong Kong wholly-owned subsidiaries and a PRC company, all of which are wholly-owned subsidiaries of China Edifice.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is an integrated property developer and is primarily engaged in the development and sale of residential and commercial properties in Shanghai and Shenyang with a specific focus on the middle to high-end residential properties, including Long Island Oasis Garden and Cedar Oasis Garden, Lakefront Oasis Garden, Rich-Gate Oasis Garden, Skyway Oasis Garden, International Villas and Skyway Landis Hotel and Shenyang Rich-Gate.

The Vendor is principally engaged in property development and investment.

The reorganisation to be undergone by the Group pursuant to, among other things, the Acquisition Agreement will effectively put the entire interest in the Properties under the China Edifice Group (as part of the Group) which will be holding another important piece of investment properties in Shanghai, namely Shanghai Richgate Shopping Mall. With a portfolio of quality investment properties in two prospering cities of the PRC, namely, Shanghai and Shenyang, the Company believes that the China Edifice Group will be able to focus on investment in properties of various natures including shopping malls and hotels. Concurrently, the Remaining Group will continue focusing on another principal business of the Group, namely the development and sale of residential and commercial properties. The Company also believes that the formation of the China Edifice Group, as part of the Group, will facilitate the China Edifice Group to finance its business activities independently in the future as and when necessary, either in the equity market, debt market or otherwise, and will enhance its future business development.

The Directors (excluding the independent non-executive Directors who will express their view after considering the advice from the independent financial adviser) consider that the Acquisition and the Acquisition Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Acquisition Agreement is in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Vendor is a substantial shareholder of Huarui Asset Management and Huarui Investment, both of which are subsidiaries of the Company, it is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under the Listing Rules. Since the Applicable Percentage Ratios for the Acquisition exceed 2.5% and the consideration for the Acquisition is more than HK\$10,000,000, the Acquisition is subject to the reporting, disclosure and independent shareholders' approval requirements under the Listing Rules.

As one of the Applicable Percentage Ratios for the Acquisition exceeds 25%, the entering into of the Acquisition also constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, disclosure and shareholders' approval requirements under the Listing Rules.

In addition, China Edifice is regarded as a major subsidiary of the Company under the Listing Rules as the value of its total assets represents over 5% of the relevant percentage ratios in respect of the Group. The Applicable Percentage Ratios for the issue of the Consideration Shares by China Edifice pursuant to the Acquisition Agreement also exceed 5%, and the issue of the Consideration Shares constitutes a material dilution of the Group's percentage interest in China Edifice and is subject to approval by the Shareholders under Rule 13.36(1) of the Listing Rules. Furthermore, the issue of the Consideration Shares by China Edifice constitutes a deemed disposal by the Company of its percentage interest in China Edifice under Rule 14.29 of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, any connected person and any shareholder and their associates with a material interest in the Acquisition are required to abstain from voting on the resolution at the special general meeting to be held to approve the same. Since none of the Shareholders is

materially interested in the Acquisition, none of them would be required to abstain from voting at the SGM to approve the same.

The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Acquisition and an independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. A circular containing, amongst other things, details of the terms of the Acquisition, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders, the notice convening the SGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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| “Acquisition” | the acquisition of the Sale Share and the acceptance of assignment of the Sale Loan by the Purchaser from the Vendor subject to and upon the terms and conditions of the Acquisition Agreement |
| “Acquisition Agreement” | the conditional sale and purchase agreement dated 29 November, 2007 entered into among the Vendor, the Purchaser and China Edifice pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Share, and the Vendor has agreed to assign the Sale Loan to the Purchaser |
| “Applicable Percentage Ratios” | the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules |
| “Assets” | interest in the Properties and certain other assets of Huarui Investment as referred to in the Acquisition Agreement which will be segregated from Huarui Investment and allocated to Huarui Asset Management pursuant to the de-merger of Huarui Investment |
| “associate(s)” | has the meaning given to it by the Listing Rules |
| “Board” | the board of Directors |
| “China Edifice” | China Edifice Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, which is currently an indirect wholly-owned subsidiary of the Company |
| “China Edifice Group” | China Edifice and its subsidiaries |
| “connected person(s)” | has the meaning given to it by the Listing Rules |
| “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 |

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| “Completion” | the completion of the Acquisition pursuant to the Acquisition Agreement |
| “Completion Date” | the third 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 Completion, as more particularly set out under the section headed “Conditions” of this announcement |
| “Consideration Shares” | a total of 3,800 new shares of HK\$1.00 each in the capital of China Edifice to be allotted and issued to Ng Chi Ming and Pinpoint China Fund at the direction of the Vendor at Completion, representing approximately 38% of the enlarged issued share capital of China Edifice (each of such shares is referred to in this announcement as a “Consideration Share”) |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Huarui Asset Management” | 瀋陽華銳世紀資產管理有限公司 (Shenyang Huarui Shiji Asset Management Company Limited), a limited liability company incorporated in the PRC and a 51% owned subsidiary of the Company |
| “Huarui Investment” | 瀋陽華銳世紀投資發展有限公司 (Shenyang Huarui Shiji Investment Development Company Limited), a limited liability company incorporated in the PRC and a 51% owned subsidiary of the Company |
| “Independent Board Committee” | the committee of independent non-executive Directors, consisting of Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E Hock Yap formed to advise the Independent Shareholders in respect of the terms of the Acquisition |
| “Independent Shareholders” | the Shareholders except for those who are interested in, or involved in the Acquisition |
| “Liabilities” | certain liabilities of Huarui Investment as referred to in the Acquisition Agreement which will be segregated from Huarui Investment and allocated to Huarui Asset Management pursuant to the de-merger of Huarui Investment |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “Long Stop Date” | 31 March, 2008 or such later date as may be agreed in writing between the parties to the Acquisition Agreement, being the last date for fulfillment of all the Conditions (or waiver in respect of certain Conditions) |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Properties” | the properties known as Shenyang Richgate Shopping Mall and Shenyang Lexington Huafu Hotel located at the Western part of Huigong Plaza, Shenhe District, Shenyang, Liaoning Province, the PRC to be owned by Huarui Asset Management |
| “Purchaser” | China Edifice Ltd., a company incorporated in the Cayman Islands with limited liability, which is a direct wholly-owned subsidiary of China Edifice and an indirect wholly-owned subsidiary of the Company |
| “Qualico Investments” | Qualico Investments Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned by the Vendor |
| “Remaining Group” | the Group other than the China Edifice Group |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Share” | 1 share of HK\$1 in the capital of Qualico Investments, representing the entire issued share capital of Qualico Investments |
| “Sale Loan” | the unsecured and non-interest bearing loan in the amount of US\$4,900,000 to be made by the Vendor to Qualico Investments which will be outstanding and owing to the Vendor immediately prior to the Completion |
| “Shareholders” | the holders of shares of the Company |
| “SGM” | the special general meeting of the Company to be convened to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereby |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transfer Agreement” | the agreement dated 14 November, 2007 entered into between the Vendor and Qualico Investments relating to the transfer by the Vendor to Qualico Investments of 49% equity interest in Huarui Asset Management |

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| “US\$” | United States dollars, the lawful currency of the United States |
| “Vendor” | Elegant Parkview Limited, a company incorporated in the British Virgin Islands with limited liability and holding 49% equity interests in each of Huarui Asset Management and Huarui Investment, which is currently held by Ng Chi Ming as to 92% and by Pinpoint China Fund as to 8% |

By Order of the Board
SRE GROUP LIMITED
Shi Jian
Chairman

Hong Kong, 29 November, 2007

As at the date hereof, the Board comprises ten Directors, five of whom are executive Directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Lee Wai Man; two of whom are non-executive Directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong; and three of whom are independent non-executive Directors, namely Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E Hock Yap.

Unless otherwise stated, amounts in RMB and US\$ have been translated into HK\$ at exchange rates of HK\$1.05 to RMB1.00 and HK\$7.80 to US\$1.00 for illustration purposes only. No representation is made that any amounts in RMB, US\$ or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

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

** For identification purpose only*