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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

CROSS INDEMNITY

BETWEEN

SHENYANG HUARUI SHIJI INVESTMENT DEVELOPMENT COMPANY LIMITED

AND

SHENYANG HUARUI SHIJI ASSET MANAGEMENT COMPANY LIMITED

The Board announces that Huarui Investment and Huarui Asset Management entered into the Cross Indemnity on 29 January, 2008 to deal with the Joint Liabilities which arose by way of operation of applicable PRC laws following the De-merger. Under the Cross Indemnity, Huarui Investment and Huarui Asset Management undertake to, subject to approval by the Independent Shareholders being obtained, indemnify each other in respect of claims made against the other party for debts or liabilities which belong to itself after segregation of the liabilities under the De-merger. The Cross Indemnity aims to cancel out any extra liabilities which Huarui Investment or Huarui Asset Management may have to bear under the Joint Liabilities, so that Huarui Investment and Huarui Asset Management are only liable for those liabilities retained by it or allocated to it (as the case may be) under the De-merger.

Both Huarui Investment and Huarui Asset Management are non-wholly owned subsidiaries of the Group and at the same time are associates of Elegant Parkview, a connected person of the Company. The Cross Indemnity constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Cross Indemnity and Grand Vinco Capital Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Cross Indemnity. A circular containing, among other things, details of the Cross Indemnity, the advice of Grand Vinco Capital Limited, the recommendation of the Independent Board Committee, 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 CROSS INDEMNITY

The Board announces that Huarui Investment and Huarui Asset Management, both being 51% owned subsidiaries of the Group and held by Elegant Parkview as to the remaining 49%, entered into the Cross Indemnity on 29 January, 2008 to deal with the Joint Liabilities which arose by way of operation of applicable PRC laws following the De-merger.

Pursuant to the De-merger which established Huarui Asset Management on 30 October, 2007, a bank loan in the outstanding principal amount of RMB600 million plus accounts payables in the aggregate amount of approximately RMB374 million (out of the total aggregate liabilities of approximately RMB1,139.03 million of Huarui Investment prior to the De-merger) have been segregated from Huarui Investment to Huarui Asset Management. Under the relevant PRC Laws, Huarui Asset Management is jointly liable with Huarui Investment for all debts and liabilities of Huarui Investment that were in existence prior to the De-merger, except for those debts and liabilities for which written agreement has been reached between the creditors and Huarui Investment and/or Huarui Asset Management. Accordingly, under the Joint Liabilities Huarui Investment is liable for the aggregate liabilities of approximately RMB974 million segregated to Huarui Asset Management, while Huarui Asset Management is liable for the aggregate liabilities of approximately RMB165.03 million retained by Huarui Investment under the De-merger.

Huarui Investment and Huarui Asset Management are negotiating with the creditors to confirm the segregation of such debts and liabilities between Huarui Investment and Huarui Asset Management pursuant to the De-merger, such that each of Huarui Asset Management and Huarui Investment will only be liable for the debts and liabilities that are segregated to it or retained by it (as the case may be) pursuant to the De-merger.

The Joint Liabilities (i) will come to an end upon the relevant creditors entering into written agreement with Huarui Investment and/or Huarui Asset Management to confirm the segregation of liabilities under the De-merger such that each of Huarui Asset Management and Huarui Investment will only be liable to the relevant creditor for the debts and liabilities that are segregated to it or retained by it (as the case may be); or (ii) for those debts and liabilities in respect of which no written agreement is entered into, will have no further effect on Huarui Investment and Huarui Asset Management when the relevant debts and liabilities are paid off or otherwise discharged.

To deal with the Joint Liabilities, Huarui Investment and Huarui Asset Management entered into the Cross Indemnity to, subject to approval by the Independent Shareholders being obtained, provide an indemnity to each other in respect of claims made against the other party for debts or liabilities which belong to itself after segregation of the liabilities under the De-merger. Under the Cross Indemnity, if any creditor claims against Huarui Investment or Huarui Asset Management for debts or liabilities not in accordance with the allocation of liabilities under the De-merger, the party being claimed shall be reimbursed by the other party for payments of debts or liabilities which should belong to that other party after the segregation of liabilities under the De-merger. After the Joint Liabilities cease to have effect as aforesaid, both Huarui Investment and Huarui Asset Management will in effect have no further liabilities under the Cross-Indemnity.

REASONS FOR AND BENEFITS OF THE CROSS INDEMNITY

The Cross Indemnity has been entered into to counter the effects of the Joint Liabilities which arose by operation of the relevant PRC laws. The Cross Indemnity aims to cancel out any extra liabilities which Huarui Investment or Huarui Asset Management may have to bear under the Joint Liabilities, so that Huarui Investment and Huarui Asset Management are only liable for those liabilities retained by it or allocated to it (as the case may be) under the De-merger.

As both Huarui Investment and Huarui Asset Management are subsidiaries of the Company, the Cross Indemnity will have no effect on the consolidated liabilities of the Group as a whole, and there will also not be any effect on the consolidated earnings and assets of the Group as a result of the Cross Indemnity.

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 terms of the Cross Indemnity are fair and reasonable and that the entering into of the Cross Indemnity is in the interests of the Group and the Shareholders as a whole.

GENERAL

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. Huarui Investment and Huarui Asset Management are non-wholly owned subsidiaries of the Group (owned by the Group as to 51%) engaged in property development and leasing of self-owned properties respectively.

Elegant Parkview owns 49% of the equity interest in Huarui Investment, and also through Qualico Investments Limited (its wholly-owned subsidiary) holds 49% of the equity interest in Huarui Asset Management. Elegant Parkview being a substantial shareholder of subsidiaries of the Company is a connected person of the Company. Each of Huarui Investment and Huarui Asset Management is a non-wholly owned subsidiary of the Company and at the same time an associate of Elegant Parkview. The Cross Indemnity constitutes a connected transaction for the Company under the Listing Rules. Since the Applicable Percentage Ratios for the Cross Indemnity exceeds 2.5%, the Cross Indemnity is subject to the reporting, disclosure and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Cross Indemnity and Grand Vinco Capital Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Cross Indemnity. A circular containing, among other things, details of the Cross Indemnity, the advice of Grand Vinco Capital Limited 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

“Applicable Percentage Ratios”	the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules
“associate(s)”	has the meaning given to it by the Listing Rules
“Board”	the board of directors of the Company
“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
“Cross Indemnity”	the conditional cross indemnity agreement dated 29 January, 2008 entered into between Huarui Investment and Huarui Asset Management under which these two companies undertake to indemnify each other for claims against the other party for debts or liabilities which belong to itself after segregation of the liabilities under the De-merger
“De-merger”	the de-merger of Huarui Investment under which Huarui Asset Management was established by segregating a portion of the assets and liabilities of Huarui Investment and allocating the same to Huarui Asset Management
“Directors”	the directors of the Company
“Elegant Parkview”	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%
“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 Cross Indemnity
“Independent Shareholders”	the Shareholders except for those who are materially interested in the Cross Indemnity
“Joint Liabilities”	the joint liabilities of Huarui Investment and Huarui Asset Management for all debts and liabilities of Huarui Investment that were in existence prior to the De-merger, except for those debts and liabilities for which written agreement has been reached between the creditors and Huarui Investment and/or Huarui Asset Management
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“RMB”	Renminbi, the lawful currency of the PRC
“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 (among other things) the Cross Indemnity
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
SRE GROUP LIMITED
Shi Jian
Chairman

Hong Kong, 29 January, 2008

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.

English names of the PRC established companies in this announcement are only translations of their official Chinese names solely for identification purpose. In case of inconsistency, the Chinese names prevail.

** For identification purpose only*