
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker 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, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF GOLDJOY INVESTMENT LIMITED**

**(2) DELAY IN ENFORCEMENT OF AN UNDERTAKING GIVEN BY
SRE INVESTMENT HOLDING LIMITED**

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



CMB International Capital Corporation Limited

A letter from the Board is set out on pages 6 to 19 of this circular, a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 20 to 21 of this circular, and a letter from CMB International, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 35 of this circular.

A notice convening the SGM of the Company to be held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 4 December 2009 at 3:00 p.m. is set out on pages 53 to 55 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or at any adjournment thereof) should you so desire.

* for identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Introduction	6
The Acquisition of Goldjoy	8
Delay in Enforcement of the Undertaking	14
Principal Activities of the Group	16
Listing Rules Implications	16
SGM	16
Recommendations	18
Additional Information	19
Letter from the Independent Board Committee	20
Letter from CMB International	22
Appendix I – Valuation Report	36
Appendix II – General Information	47
Notice of Special General Meeting	53

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the Sale Loan pursuant to the Goldjoy Acquisition Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day, other than a Saturday, on which licensed banks in Hong Kong are open for business throughout their normal business hours
“BVI”	British Virgin Islands
“CMB International”	CMB International Capital Corporation Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporation finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Goldjoy Acquisition Agreement and the Acquisition as well as the proposal for the delay in enforcement of the Undertaking
“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 Goldjoy Acquisition Agreement
“Completion Date”	the date on which all Conditions have been fulfilled (or waived, as appropriate)
“Conditions”	the conditions precedent to Completion, as more particularly set out under the section headed “The Acquisition of Goldjoy – Conditions to Completion” in the “Letter from the Board” in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration for the Sale Share and the Sale Loan in the amount of HK\$750,000,000
“Directors”	the directors of the Company

DEFINITIONS

“Goldfull”	Goldfull Enterprises Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company which holds the entire issued share capital of the Purchaser
“Goldjoy”	Goldjoy Investment Limited (金怡投資有限公司), a company incorporated in the BVI with limited liability, and wholly-owned by the Goldjoy Vendor as at the Latest Practicable Date
“Goldjoy Group”	Goldjoy and the PRC Intermediate Company and “member of the Goldjoy Group” shall mean any of them
“Goldjoy Vendor”	Mr. Ng Chi Ming Ken
“Goldjoy Acquisition Agreement”	the conditional sale and purchase agreement dated 28 October 2009 entered into between the Goldjoy Vendor and the Purchaser, pursuant to which the Goldjoy Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Loan
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, to advise the Independent Shareholders on the Goldjoy Acquisition Agreement and the Acquisition as well as the proposal for the delay in enforcement of the Undertaking
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the SGM pursuant to the Listing Rules
“Konmen Acquisition Agreement”	the sale and purchase agreement dated 17 August 2007 entered into between SRE Investment, Goldfull and the Company in relation to the acquisition of the entire issued share capital of the Purchaser by Goldfull
“Land”	the plot of land located at South Street East, Heping District, Shenyang, the PRC with land plot number 2007-024

DEFINITIONS

“Latest Practicable Date”	12 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Liaoning High School”	遼寧高校後勤集團房地產開發有限公司 (“Liaoning High School Support Group Property Development Limited”), a company established in the PRC with limited liability, which is owned as to 20% by the PRC Intermediate Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2010
“Material Adverse Effect”	any event, circumstance, occurrence, fact, condition, change or effect that is materially adverse to the business, operations, results of operations, financial condition, management, prospects, properties, assets or liabilities of Goldjoy, the PRC Intermediate Company or Liaoning High School, taken as a whole or otherwise
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“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
“PRC Intermediate Company”	瀋陽綠怡置業有限公司 (Shenyang Luyi Property Company Limited), a company established in the PRC with limited liability, which is wholly-owned by Goldjoy
“PRC Legal Opinion”	the legal opinion issued by Yan Yiming Law Firm to the Company in connection with the status of obtaining the land use rights certificates by Liaoning High School in respect of the Land
“Promissory Note”	the promissory note to be given by the Company to the Goldjoy Vendor on Completion pursuant to which the Company will irrevocably and unconditionally promise to pay the Goldjoy Vendor the sum of HK\$500,000,000, being the balance of the Consideration payable to the Goldjoy Vendor pursuant to the Goldjoy Acquisition Agreement, the form of which is set out in the Goldjoy Acquisition Agreement

DEFINITIONS

“Property”	the residential estate owned by Liaoning High School known as 建賞歐洲 (“Appreciate Europe”), excluding any units sold prior to 30 September 2009
“Purchaser”	Konmen Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company which held 70% equity interest in Liaoning High School as at the Latest Practicable Date
“Remaining Portion of the Land”	a portion of 110,970.2 sq.m. of the Land of which land use rights certificate had not been obtained by Liaoning High School as at the date of the Goldjoy Acquisition Agreement
“Sale Loan”	an interest free shareholder’s loan in the sum of HK\$38,961,230.61 with no designated term of repayment which will be assigned by the Goldjoy Vendor to the Purchaser on Completion pursuant to the Goldjoy Acquisition Agreement
“Sale Share”	1 share of US\$1.00 in the capital of Goldjoy, representing the entire issued share capital of Goldjoy
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at Room 2501, 25th Floor, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 4 December 2009 at 3:00 p.m., to consider and, if thought fit, to approve (i) the Goldjoy Acquisition Agreement and the transactions contemplated thereunder; and (ii) the delay in enforcement of the Undertaking
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“SRE Investment”	SRE Investment Holding Limited (previously known as Good Time Resources Limited), a company incorporated in the BVI and a controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Undertaking”	the undertaking given by SRE Investment pursuant to the Konmen Acquisition Agreement that it would pay the consideration for the acquisition of the Purchaser in cash to the Company on or before 30 December 2009 if Liaoning High School failed to obtain the land use rights certificates of the Land on or before 30 June 2009
“Updated PRC Management Accounts”	the unaudited financial statements of the PRC Intermediate Company for the period from 1 January 2009 to the date when all the Conditions, other than Condition (v) under the section headed “The Acquisition of Goldjoy – Conditions to Completion” in the “Letter from the Board” in this circular, have been fulfilled (or waived, as appropriate)
“Valuation Report”	the valuation report prepared by BMI Appraisals Limited on the Land and the Property with values as at 30 September 2009, which is set out in Appendix I to this circular
“Warranties”	the agreements, obligations, warranties, representations and undertakings of the Goldjoy Vendor as set out in the Goldjoy Acquisition Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“sq.m.”	square metres
“%”	per cent.

English names of the PRC established companies and of the Land and Property set out 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 RMB1 = HK\$1.135 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.

LETTER FROM THE BOARD



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 (*Chairman*)

Mr. Li Yao Min (*Vice-Chairman*)

Mr. Yu Hai Sheng

(Vice-Chairman & Chief Executive Officer)

Mr. Jiang Xu Dong (*Chief Operation Officer*)

Mr. Yue Wai Leung, Stan

(Co-Chief Executive Officer)

Non-Executive Directors:

Mr. Cheung Wing Yui

Mr. Jin Bing Rong

Independent Non-Executive Directors:

Mr. Jiang Xie Fu

Mr. E Hock Yap

Mr. Pan Long Qing

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place of
Business in Hong Kong*

Room 2501, 25th Floor

Office Tower, Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

18 November 2009

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF GOLDJOY INVESTMENT LIMITED**

**(2) DELAY IN ENFORCEMENT OF AN UNDERTAKING GIVEN BY
SRE INVESTMENT HOLDING LIMITED**

INTRODUCTION

On 28 October 2009, the Board announced that the Goldjoy Vendor and the Purchaser entered into the Goldjoy Acquisition Agreement pursuant to which the Goldjoy Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Share and the Sale Loan at the Consideration of HK\$750,000,000.

* *for identification purpose only*

LETTER FROM THE BOARD

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules. In addition, since the Goldjoy Vendor is an associate of Goldjoy, which is a substantial shareholder of Liaoning High School, and Liaoning High School is a 70% owned subsidiary of the Company, the Goldjoy Vendor is a connected person of the Company under the Listing Rules. The Acquisition thus also constitutes a connected transaction of the Company. As two of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceed 2.5% and the Consideration is more than HK\$10,000,000, the Acquisition is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

It was also announced on 28 October 2009 that the Company proposes not to exercise its right under the Undertaking against SRE Investment for the time being and that the Company will seek the approval of the Independent Shareholders at the SGM for the Company to delay enforcement of the Undertaking against SRE Investment to 31 December 2012 if by that time Liaoning High School still fails to obtain the land use rights certificates in respect of the remaining portion of the Land.

The main purposes of this circular are:

- (a) to provide you with the details of the Acquisition, the Goldjoy Acquisition Agreement and the proposal for delay in enforcement of the Undertaking;
- (b) to provide you with the letter of recommendation from the Independent Board Committee and the letter of advice from CMB International, the independent financial adviser, in respect of (i) the Goldjoy Acquisition Agreement and the Acquisition; and (ii) the proposal for delay in enforcement of the Undertaking;
- (c) to provide you with the property valuation on the Land and the Property;
- (d) to give the Shareholders the notice of the SGM at which ordinary resolutions will be proposed to approve (i) the Goldjoy Acquisition Agreement and the transactions contemplated thereunder; and (ii) the delay in enforcement of the Undertaking; and
- (e) to set out other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE ACQUISITION OF GOLDJOY

On 28 October 2009, the Goldjoy Vendor and the Purchaser entered into the Goldjoy Acquisition Agreement pursuant to which the Goldjoy Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Share and the Sale Loan at the Consideration.

Date of the Goldjoy Acquisition Agreement

28 October 2009

The parties to the Goldjoy Acquisition Agreement

- (a) Ng Chi Ming Ken, as the vendor
- (b) Konmen Investment Limited, a wholly-owned subsidiary of the Company, as the purchaser

As the Goldjoy Vendor is an associate of Goldjoy, which is a substantial shareholder of Liaoning High School, and Liaoning High School is a 70% owned subsidiary of the Company, the Goldjoy Vendor is a connected person of the Company under the Listing Rules. To the best knowledge and belief of the Directors, the Goldjoy Vendor has no relationship with any director, chief executive or controlling shareholder of the Group.

Assets to be acquired

Pursuant to the Goldjoy Acquisition Agreement, the Purchaser has conditionally agreed to purchase the Sale Share and to take assignment of the Sale Loan from the Goldjoy Vendor. The Sale Share represents the entire issued share capital in Goldjoy, which holds indirectly a 20% equity interest in Liaoning High School through the PRC Intermediate Company. Please refer to the paragraphs below for details of these companies.

Information on Goldjoy

Goldjoy is an investment holding company with limited liability incorporated under the laws of the BVI on 24 April 2007, and was wholly-owned by the Goldjoy Vendor as at the date of the Goldjoy Acquisition Agreement. Goldjoy holds the entire equity interest in the PRC Intermediate Company.

The unaudited consolidated net asset value of Goldjoy as at 31 December 2008 was approximately HK\$3,580,800. For the period from 24 April 2007 (date of incorporation) to 31 December 2007, the unaudited consolidated net loss of Goldjoy was approximately HK\$88,600. For the financial year ended 31 December 2008, the unaudited consolidated net loss of Goldjoy was approximately HK\$3,100.

The original purchase cost of Goldjoy and the indirect equity interest in the PRC Intermediate Company and Liaoning High School to the Goldjoy Vendor amounted to RMB247,000,000 (equivalent to approximately HK\$280,345,000).

LETTER FROM THE BOARD

Information on the PRC Intermediate Company

The PRC Intermediate Company is a limited liability company established under the laws of the PRC on 13 July 2007, which holds 20% equity interest in Liaoning High School. It is principally engaged in property development, self-owned property leasing and property management in the PRC.

Information on Liaoning High School

Liaoning High School is a limited liability company established under the laws of the PRC on 4 December 2000 and is owned by the Purchaser as to 70%, the PRC Intermediate Company as to 20% and 瀋陽高創金上房地產投資諮詢有限公司 (Shenyang Gaochuang Jinshang Property Investment Consultation Co., Ltd.), a third party independent of the Company and its connected persons, as to 10%. Liaoning High School is principally engaged in property development, commercial housing sales and property leasing in the PRC and is the owner of the Property. Liaoning High School had also successfully won the bid held on 3 August 2007 for the acquisition of the Land and had at the Latest Practicable Date obtained the land use rights certificates in respect of approximately 28% of the total site area of the Land. Details of the Land and the Property are set out below.

The Land is located at South Street East, Heping District, Shenyang, the PRC with land plot number 2007-024, for residential (with a term of land use right of 50 years) and commercial (for a term of land use right of 40 years) uses, and has a site area of approximately 153,696 sq.m. As at the Latest Practicable Date, Liaoning High School had obtained land use rights certificates in respect of approximately 42,725.8 sq.m., representing approximately 28% of the total site area of the Land. Based on the Valuation Report, (i) the portion of the Land with state-owned land use rights certificate was valued at RMB895,000,000 (equivalent to approximately HK\$1,015,825,000) as at 30 September 2009; and (ii) for reference purpose, if state-owned land use rights certificates had been obtained for the entire parcel of the Land as at 30 September 2009, the entire parcel of the Land would be valued at RMB3,220,000,000 (equivalent to approximately HK\$3,654,700,000).

The portion of Land with land use right certificates granted will be developed into a commercial and residential development of which the construction of Phase I (with a Land site area of 42,725.80 sq.m. and known as 瀋陽雅賓利 (“Shenyang Albany”)) had commenced on 10 June 2009. The pre-sale of Phase I is expected to be in mid-2010.

The Property is a residential estate known as 建賞歐洲 (“Appreciate Europe”) located at 皇姑區長江街134-138號 (No. 134-138 Changjiang Street, Huanggu District), Shenyang, the PRC. Appreciate Europe, being erected on a parcel of land with site area of approximately 94,872 sq.m., is a residential development completed in 2007. The aggregate gross floor area of unsold residential portion which is held for sale of Appreciate Europe amounted to approximately 12,000 sq.m. as at 30 September 2009. Based on the Valuation Report, the unsold portion of Appreciate Europe was valued at RMB128,000,000 (equivalent to approximately HK\$145,280,000) as at 30 September 2009.

LETTER FROM THE BOARD

The Consideration

The total consideration for the Acquisition is HK\$750,000,000, of which HK\$711,038,769.39 is in respect of the Sale Share and HK\$38,961,230.61 is in respect of the Sale Loan. The Consideration, which is to be financed from internal resources of the Group, shall be satisfied by the Purchaser in the following manner:

- (A) HK\$250,000,000, being deposit and part payment (the “**Deposit**”), shall be paid by the Purchaser to the Goldjoy Vendor in cash upon the signing of the Goldjoy Acquisition Agreement subject to the fulfillment by the Goldjoy Vendor of the following matters, except as waived by the Purchaser, upon the payment of the Deposit:
- (i) resolutions of the director(s) of Goldjoy shall be passed approving (a) the appointment of such person(s) nominated by the Purchaser as new director(s) with effect from the date of payment of the Deposit; and (b) amendments to the bank mandate of Goldjoy in such manner as the Purchaser shall advise;
 - (ii) resolutions of the directors of the PRC Intermediate Company shall be passed approving (a) the appointment of such person nominated by the Purchaser as the director(s) of the PRC Intermediate Company with effect from the date of payment of the Deposit; and (b) amendments to the bank mandate of the PRC Intermediate Company in such manner as the Purchaser shall advise;
 - (iii) the delivery to the Purchaser a certified copy of the resolutions referred to in (A)(i) and (ii) above; and
 - (iv) the delivery to the Purchaser, in respect of Goldjoy and the PRC Intermediate Company (a) all statutory records and minute books (which shall be written up to the date of signing of the Goldjoy Acquisition Agreement) and (if applicable) any unissued share certificates and other statutory records of Goldjoy and the PRC Intermediate Company; and (b) the common seal and all rubber stamps, cheque books, cheque stubs and bank statements, receipt books, all current insurance policies, books and accounts and title deeds and evidence of ownership to all assets and all current contracts and all other accounting records of Goldjoy and the PRC Intermediate Company; and
- (B) the balance of HK\$500,000,000 to be satisfied by the issue of the Promissory Note by the Company in favour of the Goldjoy Vendor on Completion.

The Company will, pursuant to the Promissory Note to be issued on Completion, irrevocably and unconditionally promise to pay the Goldjoy Vendor on or before 28 October 2011, a sum of HK\$500,000,000, being the balance of the Consideration payable by the Purchaser to the Goldjoy Vendor pursuant to the Goldjoy Acquisition Agreement.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Deposit was not yet paid by the Purchaser as only the matter mentioned in (A)(i) above had been fulfilled by the Goldjoy Vendor.

In the event that the Goldjoy Vendor shall fail to fulfill any of the Conditions on or before the Long Stop Date or if applicable, any other later date as mutually agreed between the Goldjoy Vendor and the Purchaser, the Goldjoy Vendor shall refund the Deposit to the Purchaser within 7 Business Days from the date of notice issued by the Purchaser requesting the termination of the Goldjoy Acquisition Agreement and refund of the Deposit together with interests calculated at a rate of 5% per annum accrued on the Deposit from the date of payment of the Deposit up to the date of refund of the Deposit by the Goldjoy Vendor to the Purchaser (both days inclusive).

The Consideration was determined after arm's length negotiation between the Goldjoy Vendor and the Purchaser, with reference to, among other things, the increase in market value of the Land, the geographical location of the Land and the continuous rising trend of the property market of Shenyang, the PRC.

Conditions to Completion

Pursuant to the Goldjoy Acquisition Agreement, Completion is conditional upon the fulfillment and compliance of the following conditions, except where waived by the Purchaser in writing (save in respect of Conditions (viii) and (ix) below, and such waiver may be made subject to such terms and conditions as the Purchaser shall deem appropriate), which shall remain fulfilled and complied on Completion:

- (i) the Purchaser shall have been satisfied with the results of the due diligence review conducted or to be conducted on the assets, liabilities, business, operations, legal and financial aspect, value of assets, accounts, results, prospects, financial position and any other affairs of Goldjoy and the PRC Intermediate Company as it may reasonably consider appropriate undertaken by the Purchaser or its advisers;
- (ii) save for the land use rights certificate to be obtained by Liaoning High School in respect of the Remaining Portion of the Land, all relevant licences, authorisation, approval or consents required for the Land and the Property are in full force and effect and are held beneficially by Liaoning High School and will not be affected by the consummation of the transactions contemplated under the Goldjoy Acquisition Agreement;
- (iii) the production of written evidence (including but not limited to a capital verification report of Liaoning High School) to the satisfaction of the Purchaser certifying that the outstanding registered capital of RMB37,000,000 (equivalent to approximately HK\$41,995,000) in respect of the 20% equity interest in Liaoning High School held by the PRC Intermediate Company, has been duly and legally injected into Liaoning High School by the PRC Intermediate Company;

LETTER FROM THE BOARD

- (iv) the production of written evidence to the satisfaction of the Purchaser certifying that a sum of RMB247,000,000 (equivalent to approximately HK\$280,345,000) payable by the PRC Intermediate Company to the previous owner of 20% equity interest in Liaoning High School pursuant to an equity interest transfer agreement dated 27 September 2007 had been fully settled or unconditionally and irrevocably waived by that previous owner for any further payment;
- (v) the production of the Updated PRC Management Accounts in form and substance to the satisfaction of the Purchaser;
- (vi) the receipt by the Purchaser of a legal opinion in the form and substance satisfactory to the Purchaser from a firm of lawyers practising the laws of the PRC and acceptable to the Purchaser confirming legal issues including but not limited to the ownership, legal status, shareholding structure and registered capital of the PRC Intermediate Company and Liaoning High School and all other issues or matters which the Purchaser shall require advices from the PRC lawyer;
- (vii) the receipt of a legal opinion in the form and substance satisfactory to the Purchaser from a firm of lawyers practising the laws of the BVI and acceptable to the Purchaser regarding to the due establishment and subsistence of Goldjoy, the validity and enforceability of the Goldjoy Acquisition Agreement and other transactions contemplated under the Goldjoy Acquisition Agreement;
- (viii) the passing of a resolution at the SGM by the Independent Shareholders to be convened in compliance with the Listing Rules to approve the Goldjoy Acquisition Agreement and the Acquisition, including the issue of the Promissory Note pursuant to the Goldjoy Acquisition Agreement;
- (ix) the parties to the Goldjoy Acquisition Agreement having obtained any and all other consents, permits, approvals, authorizations and waivers necessary or appropriate for the entering into and consummation of the Acquisition;
- (x) no event or series of events shall have occurred which, in the opinion of the Purchaser, has, had or would reasonably be expected to have a Material Adverse Effect;
- (xi) all of the Warranties shall be true and accurate in all material respects on the date of the Goldjoy Acquisition Agreement and at all times up to and including the Completion Date; and
- (xii) no event or circumstances shall have occurred which, in the opinion of the Purchaser, has, had or would render any of the Warranties incorrect or incapable of performance and that there are no other breaches of any of the Warranties.

If the Conditions are not fulfilled or, as the case may be, waived by the Purchaser by 4:00 p.m. on the Long Stop Date (or such later date as the Goldjoy Vendor and the Purchaser may mutually agree), the obligations of the parties under the Goldjoy Acquisition Agreement shall cease and determine and neither party shall have any claim under the

LETTER FROM THE BOARD

Goldjoy Acquisition Agreement against the other save in respect of any antecedent breaches of the Goldjoy Acquisition Agreement and save for the obligation of the Goldjoy Vendor to refund the Deposit together with interests in accordance with the provisions of the Goldjoy Acquisition Agreement.

As at the Latest Practicable Date, none of the Conditions had been satisfied.

Termination

The Purchaser may by notice in writing terminate the Goldjoy Acquisition Agreement forthwith if at any time prior to Completion:

- (i) the Goldjoy Vendor commits any breach of or omits to observe any of its obligations or undertakings under the Goldjoy Acquisition Agreement in any aspect; or
- (ii) any creditor makes a valid demand for repayment or payment of any indebtedness of any member of the Goldjoy Group or in respect of which any member of the Goldjoy Group is liable prior to its stated maturity which demand can be expected to have a Material Adverse Effect; or
- (iii) between the date of the Goldjoy Acquisition Agreement and Completion, any provisions in the Goldjoy Acquisition Agreement restricting the conduct of business of members of the Goldjoy Group is not satisfied or has not been duly and promptly fulfilled, observed or performed in any respect; or
- (iv) any member of the Goldjoy Group shall sustain any loss or damage (howsoever caused and whether or not the subject of any insurance or claim against any person) which constitutes a Material Adverse Effect; or
- (v) any petition is presented for the winding up or liquidation of any member of the Goldjoy Group or any member of the Goldjoy Group makes any composition or arrangement with its creditors or enters into a scheme of the Goldjoy Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Goldjoy Group or anything analogous thereto occurs and have not been withdrawn within 14 days thereof in respect of any member of the Goldjoy Group which can be expected to have a Material Adverse Effect.

Notwithstanding termination of the Goldjoy Acquisition Agreement, the Goldjoy Vendor is obliged to refund the Deposit together with interest in accordance with the provisions of the Goldjoy Acquisition Agreement.

Force Majeure

In the event of the happening of a force majeure event as described in the Goldjoy Acquisition Agreement and such force majeure event or the effects thereof is not removable or not possible to be remedied in the reasonable opinion of the parties to the Goldjoy

LETTER FROM THE BOARD

Acquisition Agreement or the force majeure event or the effects thereof is not removed or remedied within 30 days from the happening of such force majeure event, the Goldjoy Acquisition Agreement shall be deemed terminated on the date immediately following the date of expiration of the said 30 days period (the “**Termination Date**”) whereupon all obligations of the parties under the Goldjoy Acquisition Agreement shall cease and determine and neither party will have any claim against the other party in respect of any matter or thing arising out of or in connection with the Goldjoy Acquisition Agreement save and except in respect of any antecedent breach of any obligation under Goldjoy Acquisition Agreement and the obligation for the Goldjoy Vendor to refund the Deposit to the Purchaser without interest within 7 Business Days from the Termination Date.

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 or at such other time as shall be mutually agreed by the Goldjoy Vendor and the Purchaser.

Upon Completion, both Goldjoy and the PRC Intermediate Company will become subsidiaries of the Company, the Group’s effective interest in Liaoning High School will be increased from 70% to 90%, and Liaoning High School will continue to be a subsidiary of the Company.

Reasons for and benefits of the Acquisition

Given the revival of the property market in the PRC, in particular in fast growing cities like Shenyang, the increasing property market price in Shenyang, and the increase of value and the prime location of the Land, the Company expects the Acquisition would enhance its profitability once the development of the Land into a high-end residential and commercial property has been completed.

DELAY IN ENFORCEMENT OF THE UNDERTAKING

Reference is made to the announcement of the Company dated 17 August 2007 and the circular of the Company dated 7 September 2007 on the acquisition of the Purchaser pursuant to the Konmen Acquisition Agreement which was entered into between SRE Investment as vendor, Goldfull as purchaser and the Company on 17 August 2007. Pursuant to the Konmen Acquisition Agreement, SRE Investment undertook that in the event Liaoning High School failed to obtain the relevant state-owned land use rights certificates in respect of the Land on or before 30 June 2009, it would pay the amount of the consideration for the acquisition of the Purchaser (HK\$1,600 million) in cash to the Company on or before 30 December 2009.

The Konmen Acquisition Agreement and the transactions contemplated thereunder were approved by the Independent Shareholders at a general meeting of the Company held on 24 September 2007 and Goldfull acquired the entire issued share capital in the Purchaser which held a 70% equity interest in Liaoning High School around the end of 2007 pursuant to the Konmen Acquisition Agreement.

LETTER FROM THE BOARD

It was announced by the Company on 26 June 2009 that as at 30 April 2009, Liaoning High School has only obtained land use rights certificates for approximately 28% of the site area of the Land. Notwithstanding that the land use rights certificates in respect of the entire site area of the Land cannot be obtained by Liaoning High School by 30 June 2009, the Company proposes not to enforce the Undertaking against SRE Investment for the time being for the following reasons:–

- (i) As disclosed in the announcement of the Company dated 26 June 2009, the delay in the obtaining of land use rights certificates for the remaining portion of the Land is due to delay in the demolition and relocation work of 遼寧省體育運動學院 (Liaoning Provincial Sports Institute) and its sports training stadium situated on the Land by the Shenyang Municipal Government. The reason for such delay is entirely an act of government which is beyond the control of the parties to the Konmen Acquisition Agreement.
- (ii) Development of the portion of the Land with land use rights certificates obtained has already commenced, and pre-sale of the Phase I of the commercial and residential development is expected to be in mid-2010. The delay in obtaining the land use rights certificates for the remaining portion of the Land is not expected to have adverse impact on the Group's development plan for the Land or its financial performance.
- (iii) The Company has been benefiting from the increase in the value of the Land and is expected to further benefit from the sale of properties of the development in view of shortage of land supply in the city of Shenyang, the PRC.
- (iv) The Company's PRC legal adviser had opined in the PRC Legal Opinion that subject to completion of relevant procedures according to the PRC law, the punctual payment of the land premium for the remaining portion of the Land, the entering into of the state owned land use rights transfer agreement and the application for land registration according to law by Liaoning High School, there is no substantive legal impediment for Liaoning High School to obtain the land use rights certificates for the remaining portion of the Land.

Having considered the PRC Legal Opinion and taking into consideration of the Group's development plan of the Land as well as the significant appreciation of the value of the Land, the Directors considered it fair and reasonable and in the interest of the Group and the Independent Shareholders as a whole for the Company not to exercise its right under the Undertaking for the time being and to delay enforcement of the Undertaking against SRE Investment to 31 December 2012 if by that time Liaoning High School still fails to obtain the land use rights certificates in respect of the remaining portion of the Land. It was provided in the Konmen Acquisition Agreement that any forbearance or delay by a party in exercising any of its rights thereunder shall not be constituted as a waiver thereof.

LETTER FROM THE BOARD

PRINCIPAL ACTIVITIES 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.

LISTING RULES IMPLICATIONS

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules. In addition, since the Goldjoy Vendor is an associate of Goldjoy, which is a substantial shareholder of Liaoning High School, and Liaoning High School is a 70% owned subsidiary of the Company, the Goldjoy Vendor is a connected person of the Company under the Listing Rules. The Acquisition thus also constitutes a connected transaction of the Company. As two of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceed 2.5% and the Consideration is more than HK\$10,000,000, the Acquisition is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Konmen Acquisition Agreement and the transactions contemplated thereunder (of which the Undertaking forms part) were previously approved by the then independent shareholders of the Company at a special general meeting held on 24 September 2007, such proposal on the delay in enforcing the Undertaking is also subject to the disclosure and independent shareholders' approval requirements under the Listing Rules.

SGM

The Company will convene the SGM for the purpose of seeking approval from the Independent Shareholders on (i) the Goldjoy Acquisition Agreement and the transactions contemplated thereunder; and (ii) the delay in enforcement of the Undertaking. Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the SGM must be taken by poll.

A notice convening the SGM to be held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 4 December 2009 at 3:00 p.m. is set out on pages 53 to 55 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or at any adjournment thereof) should you so desire.

To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, (i) neither the Goldjoy Vendor nor any of its associates was a Shareholder; and (ii) none of the Shareholders had a material interest in the Goldjoy Acquisition

LETTER FROM THE BOARD

Agreement, and therefore no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Goldjoy Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Promissory Note).

As SRE Investment has a material interest in the Undertaking, SRE Investment and its associates will abstain from voting on the resolution to be proposed at the SGM to approve the delay in enforcement of the Undertaking. As each of Mr. Li Yao Min and Mr. Yu Hai Sheng beneficially owns 5% of the issued share capital of SRE Investment, they are also taken to be materially interested in the Undertaking and they and their respective associates will also abstain from voting in respect of the resolution to be proposed at the SGM to approve the delay in enforcement by the Company of the Undertaking. As at the Latest Practicable Date, (i) SRE Investment and its associates were interested in a total of 1,250,480,045 Shares representing approximately 34.7% of the then issued share capital of the Company; (ii) Mr. Li Yao Min and his associates were interested in a total of 2,200 Shares representing approximately 0.00006% of the then issued share capital of the Company; and (iii) Mr. Yu Hai Sheng and his associates are interested in a total of 1,065,987 Shares representing approximately 0.03% of the then issued share capital of the Company.

To the best of Director's knowledge, information and belief, after making all reasonable enquiries, as at the Latest Practicable Date:

- (a) (i) there were no voting trust or other agreements or arrangements or understandings (other than outright sale) entered into by or binding upon SRE Investment, Mr. Li Yao Min and Mr. Yu Hai Sheng and their respective associates;
- (ii) there were no obligations or entitlement of SRE Investment, Mr. Li Yao Min and Mr. Yu Hai Sheng and their respective associates;

whereby such persons had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and

- (b) there were no discrepancy between the beneficial shareholding interests of SRE Investment, Mr. Li Yao Min and Mr. Yu Hai Sheng and their respective associates and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders as to (i) the Acquisition and the Goldjoy Acquisition Agreement; and (ii) the delay in enforcement of the Undertaking. CMB International has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Acquisition and the Goldjoy Acquisition Agreement; and (ii) the delay in enforcement of the Undertaking.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular; and
- (b) the letter from CMB International, the text of which is set out on pages 22 to 35 of this circular.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote at the SGM.

Taking into account the factors stated above as a whole, the Directors are of the view that the terms of the Goldjoy Acquisition Agreement and the Acquisition are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Having considered the PRC Legal Opinion and taking into account of the Group's development plan of the Land as well as the significant appreciation of the value of the Land, the Directors also considered it fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole for the Company not to exercise its right under the Undertaking for the time being and to delay enforcement of the Undertaking against SRE Investment to 31 December 2012 if by that time Liaoning High School still fails to obtain the land use rights certificates in respect of the remaining portion of the Land. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all the ordinary resolutions to be proposed at the SGM to approve (i) the Goldjoy Acquisition Agreement and the transactions contemplated thereunder; and (ii) the delay in enforcement of the Undertaking against SRE Investment.

The Independent Board Committee, having considered the terms of the Goldjoy Acquisition Agreement and the Acquisition and the advice of CMB International in relation thereto as set out on pages 22 to 35 of the Circular, considers that the terms of the Goldjoy Acquisition Agreement and the Acquisition are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. The Independent Board Committee, having considered the advice of CMB International and the PRC Legal Opinion and taking into account the Group's development plan of the Land as well as the significant appreciation of the value of the Land, also considered it fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole for the Company not to exercise its right under the Undertaking for the time being and to delay enforcement of the Undertaking against SRE Investment to 31 December 2012 if by that time Liaoning High School still fails to obtain the land use rights certificates in respect of the remaining portion of the Land. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the ordinary resolutions to be proposed at the SGM to approve (i) the Goldjoy Acquisition Agreement and the transactions contemplated thereunder; and (ii) the delay in enforcement of the Undertaking against SRE Investment.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
SRE Group Limited
SHI JIAN
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

18 November 2009

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF GOLDJOY INVESTMENT LIMITED**

**(2) DELAY IN ENFORCEMENT OF AN UNDERTAKING GIVEN BY
SRE INVESTMENT HOLDING LIMITED**

We refer to the circular dated 18 November 2009 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Acquisition, the Goldjoy Acquisition Agreement and the proposal for delay in enforcement of the Undertaking and to advise the Independent Shareholders as to the fairness and reasonableness of the same. CMB International has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 19 of the Circular, and the letter from CMB International which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Goldjoy Acquisition Agreement and the proposal for delay in enforcement of the Undertaking as set out on pages 22 to 35 of the Circular.

Having considered the terms of the Goldjoy Acquisition Agreement and the Acquisition and the advice of CMB International in relation thereto as set out on pages 22 to 35 of the Circular, we are of the opinion that the terms of the Goldjoy Acquisition Agreement and the Acquisition are on normal commercial terms, in the ordinary course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. We therefore recommend that the

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the SGM to approve the Goldjoy Acquisition Agreement and the transactions contemplated thereunder.

Having considered the advice of CMB International and the PRC Legal Opinion and taking into account the Group's development plan of the Land as well as the significant appreciation of the value of the Land, we also considered it fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole for the Company not to exercise its right under the Undertaking for the time being and to delay enforcement of the Undertaking against SRE Investment to 31 December 2012 if by that time Liaoning High School still fails to obtain the land use rights certificates in respect of the remaining portion of the Land. We therefore recommend that the Independent Shareholders should also vote in favour of the ordinary resolution to be proposed at the SGM to approve the delay in enforcement of the Undertaking against SRE Investment.

Yours faithfully,

Independent Board Committee

Jiang Xie Fu

Independent

Non-Executive Director

E Hock Yap

Independent

Non-Executive Director

Pan Long Qing

Independent

Non-Executive Director

LETTER FROM CMB INTERNATIONAL

The following is the text of the letter of advice from CMB International to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



CMB International Capital Corporation Limited

18th Floor, Bank of America Tower
Harcourt Road, Hong Kong

18 November 2009

SRE Group Limited
Room 2501, 25/F., Office Tower, Convention Plaza,
1 Harbour Road, Wan Chai,
Hong Kong

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

Dear Sirs,

**(1) DISCLOSABLE AND CONNECTED TRANSACTION
ACQUISITION OF GOLDJOY INVESTMENT LIMITED**

AND

**(2) DELAY IN ENFORCEMENT OF AN UNDERTAKING GIVEN BY SRE
INVESTMENT HOLDING LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to (i) the acquisition of the Sale share and the Sale Loan under the Goldjoy Acquisition Agreement (the "Agreement"); and (ii) the proposal for delay in the enforcement of the Undertaking given by SRE Investment under the Konmen Acquisition Agreement to 31 December 2012 if by that time Liaoning High School still fails to obtain the land use rights certificates in respect of the remaining portion of the Land. Details of the Agreement and the transactions contemplated thereunder; and (ii) the proposal for delay in enforcement of the Undertaking are described in the Letter from the Board in the circular to the shareholders of the Company dated 18 November 2009 (the "Circular") of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Circular.

LETTER FROM CMB INTERNATIONAL

As set out in the Letter from the Board in the Circular, since one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, as the Goldjoy Vendor is an associate of Goldjoy which is the substantial shareholder of Liaoning High School, and Liaoning High School is a 70% owned subsidiary of the Company, the Goldjoy Vendor is therefore a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As two of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceeds 2.5% and the Consideration is more than HK\$10,000,000, the Acquisition is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, the Company will convene the SGM to seek the Independent Shareholder's approval of the Agreements and the transactions contemplated thereunder.

In addition, under the Konmen Acquisition Agreement, SRE Investment undertook to pay HK\$1,600 million (being the same amount of the consideration for the acquisition under the Konmen Acquisition Agreement) in cash to the Group by 30 December 2009 in the event Liaoning High School failed to obtain the land use rights certificates of the Land on or before 30 June 2009. The Company proposes to delay enforcing the Undertaking against SRE Investment to 31 December 2012 if by that time Liaoning High School still fails to obtain the land use rights certificates in respect of the remaining portion of the land, and is seeking the approval by the Independent Shareholders at the SGM. This letter sets out our recommendations as to whether (i) the terms of the Agreement and the Acquisition are on normal commercial terms, in ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders; and (ii) the proposal for delay in enforcement of the Undertaking is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising the independent non-executive directors, namely Mr. Jiang Xie Fu, Mr. E Hock Yap and Mr. Pan Long Qing has been established to consider the terms of the Agreement with respect to the Acquisition and the reasons for the proposal for delay in enforcement of the Undertaking.

LETTER FROM CMB INTERNATIONAL

BASIS AND ASSUMPTIONS OF OUR ADVICE AND OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Company contained in the Circular and the information and representations provided to us by the Company and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions, and representations for matters relating to the Company contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for the matters relating to the Company made or provided by the Company and/or its senior management staff and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and its management and has been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available 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 opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

I THE ACQUISITION OF GOLDJOY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have considered the following principal factors and reasons:

1 Background of the parties involved

1.1 Information on the Group

As referred to in the Company's 2008 annual report, the Group is an integrated real estate developer and is primarily engaged in the development and sale of residential and commercial properties in Shanghai and Shengyang with a specific focus on the medium-to-high-end residential properties. The Group's operations include property development, construction of infrastructure for intelligent network, sale of network hardware and installation of intelligent home equipment, property leasing, property management and hotel operation.

LETTER FROM CMB INTERNATIONAL

For the year ended 31 December 2008, the Group recorded turnover of approximately HK\$3,740 million, and recorded a profit attributable to equity holders of the Group of approximately HK\$248 million respectively. As at 30 June 2009, the consolidated net asset value attributable to the Shareholders amounted to approximately HK\$8,118 million.

1.2 Information on Goldjoy

As set out in the Letter from the Board in the Circular, Goldjoy is an investment holding company with limited liability incorporated under the laws of the BVI on 24 April 2007, and is wholly-owned by the Goldjoy Vendor as at the date of the Agreement. The principal investment of Goldjoy is its holding of the entire equity interest in the PRC Intermediate Company (hence the indirect 20% interest in the Land and the Property through the PRC Intermediate Company's holding of 20% equity interest in Liaoning High School).

The unaudited consolidated net asset value of Goldjoy as at 31 December 2008 was approximately HK\$3,580,800. For the period from 24 April 2007 (date of incorporation) to 31 December 2007, the unaudited consolidated net loss of Goldjoy was approximately HK\$88,600. For the financial year ended 31 December 2008, the unaudited consolidated net loss of Goldjoy was approximately HK\$3,100.

1.3 Information on the PRC Intermediate Company

As set out in the Letter from the Board in the Circular, the PRC Intermediate Company is a limited liability company established under the laws of the PRC on 13 July 2007, which holds 20% equity interest in Liaoning High School. It is principally engaged in property development, self-owned property leasing and property management in the PRC.

1.4 Information on Liaoning High School

As set out in the Letter from the Board in the Circular, Liaoning High School is a limited liability company established under the laws of the PRC on 4 December 2000. It is owned by the Purchaser as to 70%, the PRC Intermediate Company as to 20% and 瀋陽高創金上房地產投資諮詢有限公司 (Shenyang Gaochuang Jinshang Property Investment Consultation Co., Ltd.), a third party independent of the Company and its connected persons, as to 10%. Liaoning High School is principally engaged in property development, commercial housing sales and property leasing in the PRC and is the owner of the Property. Liaoning High School had also successfully won the bid held on 3 August 2007 for the

LETTER FROM CMB INTERNATIONAL

acquisition of the Land and has obtained the land use rights certificates in respect of approximately 28% of the total site area of the Land as at the Latest Practicable Date. Details of the Land and the Property are set out below:

The Land is located at South Street East, Heping District, Shenyang, the PRC with land plot number 2007-024, for residential (with a term of land use right of 50 years) and commercial (for a term of land use right of 40 years) uses, and has a site area of approximately 153,696 sq.m. As at the Latest Practicable Date, Liaoning High School had obtained land use rights certificates in respect of approximately 42,725.8 sq.m., representing approximately 28% of the total site area of the Land. Based on the Valuation Report, (i) the portion of the Land with state-owned land use rights certificate obtained was valued at RMB895,000,000 (equivalent to approximately HK\$1,015,825,000) as at 30 September 2009; and (ii) for reference purpose, if state-owned land use rights certificates had been obtained for the entire parcel of the Land as at 30 September 2009, the entire parcel of the Land would be valued at RMB3,220,000,000 (equivalent to approximately HK\$3,654,700,000).

The portion of Land with land use right certificates granted will be developed into a commercial and residential development of which the construction of Phase I (with a Land area of 42,725.80 sq.m. and known as 瀋陽雅賓利 (“Shenyang Albany”)) had been commenced on 10 June 2009 and the pre-sale of Phase I Shenyang Albany is expected to be in mid-2010.

The Property is a residential estate known as 建賞歐洲 (“Appreciate Europe”) located at 皇姑區長江街134-138號 (134-138 Chang Jiang Street, Huanggu District), Shenyang, the PRC. Appreciate Europe, being erected on a parcel of land with site area of approximately 94,872 sq.m., is a residential development completed in 2007. The aggregate gross floor area of unsold residential portion which is held for sale of Appreciate Europe amounted to approximately 12,000 sq.m. as at 30 September 2009. Based on the Valuation Report, the unsold portion of Appreciate Europe was valued at RMB128,000,000 (equivalent to approximately HK\$145,280,000) as at 30 September 2009.

2 Reasons for and benefits of the Acquisition

Shenyang is the state capital of Liaoning Province and is also a heavy industrial basement of the PRC. During the past century, the real estate market of Shenyang still maintained at a flagging level. After the development of real estate markets in some major cities in the PRC, now more and more real estate developers come to focus on those state capital cities such as Shenyang. With the development in real estate market in the past few years, Shenyang’s real estate market has enjoyed a boom in the same period. After the recession in real estate market caused by the financial crisis in 2008, and the recovery in 2009, the Company believes that another climax of real estate market of Shenyang is coming soon.

LETTER FROM CMB INTERNATIONAL

As mentioned in the 2008 annual report of the Company, Shenyang is one of the Group's strategic locations for business development and as advised by the Directors, the Group will further allocate resources to the property development projects in the second tier cities in the PRC with growth potential.

Shenyang, being a city lying in the heart of the north-eastern PRC, is the first city in which the Group implements its strategic move outside Shanghai. As advised by the Directors, under the plan of revitalizing the north-eastern PRC, it is a strategy of the State Council of the PRC to attract foreign investments in Shenyang.

Based on the statistics published on the official website of Shenyang Municipal Bureau of Statistics (瀋陽市統計局), the PRC, the gross domestic product of Shenyang in the first half of 2009 amounted to approximately RMB205.4 billion, representing an increase of approximately 14% as compared with that in the first half of 2008. In the first half of 2009, Shenyang witnessed a rapid economic growth.

We further noted from the official website of Shenyang Municipal Bureau of Statistics (瀋陽市統計局), the PRC and the official website of Shenyang Property Bureau (瀋陽市房產局) that:

- (i) a total residential area of approximately 5.97 million sq.m. was sold in the first half of 2009, representing an increase of approximately 5.2% as compared with the relevant figures in the first half of 2008 in Shenyang;
- (ii) the average selling price of residential property was approximately RMB3,822 per sq.m. in June 2009, representing an increase of approximately 12.9% as compared with the relevant figures in June 2008 in Shenyang; and
- (iii) the investment in real estate development market in Shenyang amounted to approximately RMB46.30 billion in the first half of 2009, representing an increase of approximately 28.5% as compared with the relevant figures in the first half of 2008.

As advised by the Directors, the real estate industry in Shenyang is still in its early phase of rapid growth, as demonstrated by an increasing demand in the property market, which has caused the increase in price and investment as mentioned above. We concur with the view of the Directors that given its rapid growth in economy and increase in the demand for and prices of properties, Shenyang is a suitable city for the Group to seek for further development.

After the acquisition of the 70% equity interest of Liaoning High School in 2007, the Company decided to purchase 20% more of the equity interest in Liaoning High School mainly due to (i) the revival of the property market in the PRC and expecting boom up in the real estate market in Shenyang as described above; (ii) the prime location of the Land, which is located in the area of high-end residential and

LETTER FROM CMB INTERNATIONAL

commercial place in Shenyang; and (iii) the appreciation of value of the Land and Property as explained by the fast growing real estate market in Shenyang and as revealed by the fact that the valuation on the Land and the Property by the independent property valuer has increased by more than 60% from 2007 to 2009. Once the Land has been developed into a high-end residential and commercial property as planned by the Group, the Group will capture higher profitability as a result of the Acquisition.

As disclosed in the Company's announcement dated 26 June 2009, the delay in obtaining the land use rights certificates for the remaining portion of the Land is due to the delay in the demolition and relocation work of Liaoning Provincial Sports Institute and its sports training stadium situated on the Land by the Shenyang Municipal Government. As advised by the Directors, the obtaining of any additional land use right in respect of the remaining portion of the Land will depend on the progress of the aforesaid demolition and relocation work performed on the Land by the Shenyang Government. As advised by the Directors, the Shenyang Government has been continuously making progress regarding the demolition and relocation work on the Land. Furthermore, according to the PRC Legal Opinion, the obtaining of the land use rights for the remaining portion of the Land is subject to the following general administrative procedures for the application of the land use rights for the remaining portion of the Land, including, (i) the punctual payment of the land premium for the remaining portion of the Land; (ii) the entering into of the state owned land use rights transfer agreement; and (iii) the application of the land registration according to law by Liaoning High School. In addition, the PRC Legal Opinion has indicated that no substantive legal impediment will be encountered by Liaoning High School in obtaining the relevant land use rights certificates for the remaining portion of the Land. Having considered the above, we are of the view that the potential risks as to the obtaining of the land use rights certificates for the remaining portion of the Land is not material.

Based on the above, we concur with the Company's view that entering into the Agreement is in line with the development plan and business strategy of the Company and falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Independent Shareholders as a whole.

3 Major terms of the Agreement

3.1 Consideration

The total consideration for the Acquisition is HK\$750,000,000, of which HK\$711,038,769.39 is in respect of the Sale Share and HK\$38,961,230.61 is in respect of the Sale Loan. The Consideration, which is to be financed from internal resources of the Group, and is payable as to HK\$250 million in cash as the Deposit to the Goldjoy Vendor upon signing of the Agreement subject to the fulfilment by the Goldjoy Vendor (except as waived by the Purchaser) of certain matters as listed below and the remaining balance is to be satisfied by the issue of the Promissory Note by the Company on Completion. The Promissory Note is

LETTER FROM CMB INTERNATIONAL

interest-free and has a term of two years from the date of the Agreement (i.e. 28 October 2011). In addition, payment of the Deposits is also subject to a number of conditions which are in favour of the Company and are summarised as follows:

- (i) resolutions of the director(s) of Goldjoy shall be passed approving (a) the appointment of such person(s) nominated by the Purchaser as new director(s) with effect from the date of payment of the Deposit; and (b) amendments to the bank mandate of Goldjoy in such manner as the Purchaser shall advise;
- (ii) resolutions of the directors of the PRC Intermediate Company shall be passed approving (a) the appointment of such person nominated by the Purchaser as the director(s) of the PRC Intermediate Company with effect from the date of payment of the Deposit; and (b) amendments to the bank mandate of the PRC Intermediate Company in such manner as the Purchaser shall advise;
- (iii) the delivery to the Purchaser a certified copy of the resolutions referred to in (i) and (ii) above; and
- (iv) the delivery to the Purchaser, in respect of Goldjoy and the PRC Intermediate Company: (a) all statutory records and minute books (which shall be written up to the date of signing of the Agreement) and (if applicable) any unissued share certificates and other statutory records of Goldjoy and the PRC Intermediate Company; and (b) the common seal and all rubber stamps, cheque books, cheque stubs and bank statements, receipt books, all current insurance policies, books and accounts and title deeds and evidence of ownership to all assets and all current contracts and all other accounting records of Goldjoy and the PRC Intermediate Company.

The Company will, pursuant to the Promissory Note to be issued on Completion, irrevocably and unconditionally promise to pay the Goldjoy Vendor on or before 28 October 2011, a sum of HK\$500,000,000, being the balance of the Consideration payable by the Purchaser to the Goldjoy Vendor pursuant to the Agreement. As advised by the Directors, the repayment of the Promissory Note will be made by the Company two years from the date of the Agreement. Moreover, as the Promissory Note incurs no interest to the Company, we concur with the Directors' view that the issue of the Promissory Note as the part payment of the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

In the event that the Goldjoy Vendor shall fail to fulfill any of the Conditions on or before the Long Stop Date or if applicable, any other later date as mutually agreed between the Goldjoy Vendor and the Purchaser, the Goldjoy Vendor shall refund the Deposit to the Purchaser within 7 Business Days from the date of notice issued by the Purchaser requesting the termination of the Agreement and refund of the Deposit together with interests calculated at a rate of

LETTER FROM CMB INTERNATIONAL

5% per annum accrued on the Deposit from the date of payment of the Deposit up to the date of refund of the Deposit by the Goldjoy Vendor to the Purchaser (both days inclusive).

The Consideration was determined after arm's length negotiation between the Goldjoy Vendor and the Purchaser, with reference to, among other things, the increase in market value of the Land, the geographical location of the Land and the continuous rising trend of the property market of Shenyang, the PRC.

Given that the principal investment of Goldjoy is its indirect 20% equity interest in Liaoning High School, whose principal assets comprise the Land and the Property with an aggregate valuation of RMB3,348 million (equivalent to approximately HK\$3,800 million), the Consideration (i.e. HK\$750 million) therefore represents a slight discount of approximately 1.32% to the aggregate valuation of the Land and the Property based on Goldjoy's indirect 20% attributable interest in Liaoning High School (i.e. HK\$760 million). We have reviewed the Valuation Report prepared by BMI Appraisals Limited and noted that the appraised value of the Land and the Property is RMB3,348 million (equivalent to approximately HK\$3,800 million) if state-owned land use rights certificates had been obtained for the entire parcel of the Land at 30 September 2009. We have also discussed with the Company and BMI Appraisals Limited regarding the methodology of, and the basis and assumptions adopted for, the valuation of the Land and the Property as contained in the said report. We noted that BMI Appraisals Limited valued the Land and the Property on a direct comparison approach in which assuming sale of the Land and Property in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. We understand the above-mentioned approach is a commonly adopted approach for valuation of land and property and is in accordance with Valuation Standards on Properties of the Hong Kong Institute of Surveyors and we consider that the methodology used is generally in line with market practice and furnishes a reliable indication of the value for the Land and Property. Accordingly, we concur with the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Agreement is under normal commercial terms and in the interests of the Group and the Shareholders as a whole.

3.2 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 or at such other time as shall be mutually agreed by the Goldjoy Vendor and the Purchaser.

Upon Completion, both Goldjoy and the PRC Intermediate Company will become subsidiaries of the Company and the Group's effective interest in Liaoning High School will increase from 70% to 90%, and Liaoning High School will continue to be a subsidiary of the Company.

LETTER FROM CMB INTERNATIONAL

After reviewing the terms of the Agreement, including but not limited to the terms as stated above and other terms such as “Conditions to Completion”, “Termination” and “Force majeure” as set out in the Letter from the Board in the Circular, we consider that the terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole

4 Possible financial effects of the Acquisition

4.1 Earnings

For the year ended 31 December 2008, the Company recorded turnover of approximately HK\$3,740 million, and recorded a profit attributable to equity holders of the Company of approximately HK\$248 million respectively. Upon Completion, the Group’s effective interest in Liaoning High School will increase from 70% to 90% and Liaoning High School will continue to be a subsidiary of the Company and its results will continue to be consolidated into the accounts of the Group. As advised by the Directors, since the construction of Phase-I (Land area of 42,725.8 sq.m. and known as “Shenyang Albany”) had commenced, the Directors expect that the pre-sale of Phase-I Shenyang Albany will be started in mid-2010 which will contribute to the revenue stream and earning bases of the Group.

4.2 Net Asset Value

We noted from the 2009 interim report of the Company that, as at 30 June 2009, the consolidated net asset value of the Group attributable to the Shareholders amounted to approximately HK\$8,118 million. As advised by the Directors, the consolidated net asset value of the Group would remain unchanged immediately after Completion.

4.3 Working capital

On the basis that the Company had cash and bank balances of approximately HK\$1,639 million as at 30 June 2009 and recorded net cash inflow from operating activities for the six months ended 30 June 2009 as set out in the Company’s 2009 interim report, the Directors consider that the Group has sufficient internal resources to satisfy its financial obligation of payment of the Deposit of HK\$250 million under the Agreement. Moreover, as advised by the Directors, the repayment under the Promissory Note will be made by the Company on or before 28 October 2011 without any interest, it is expected that this would be settled by the internal resources of the Group and the cash inflow brought from the pre-sale of Phase-I Shenyang Albany in mid-2010. In view of the above, we concur with the Directors’ view that the Acquisition will have no significant adverse impact on the working capital of the Company.

LETTER FROM CMB INTERNATIONAL

Taking into consideration the above factors, we consider that the terms of the Agreement and the Acquisition are on normal commercial terms, in ordinary and usual course of business of the Company, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

II DELAY IN ENFORCEMENT OF THE UNDERTAKING

1. Background

As set out in the announcement of the Company dated 17 August 2007 and the circular of the Company dated 7 September 2007 relating to the Konmen Acquisition Agreement (which was entered into between SRE Investment as vendor, Goldfull as purchaser and the Company on 17 August 2007) whereby SRE Investment undertook that in the event Liaoning High School fails to obtain the relevant State-owned land use rights certificates in respect of the Land on or before 30 June 2009, it would pay the amount of the consideration for the acquisition of the Purchaser (HK\$1,600 million) in cash to the Company on or before 30 December 2009.

The Konmen Acquisition Agreement and the transactions contemplated thereunder were approved by the Independent Shareholders at a general meeting of the Company held on 24 September 2007 and Goldfull acquired the entire issued share capital in the Purchaser which holds a 70% equity interest in Liaoning High School around the end of 2007 pursuant to the Konmen Acquisition Agreement.

It was announced by the Company on 26 June 2009 that as at 30 April 2009, Liaoning High School has obtained land use rights certificates for approximately 28% of the site area of the Land. Notwithstanding that the land use right certificates in respect of the entire site area of the Land cannot be obtained by Liaoning High School by 30 June 2009, the Company proposes not to enforce the Undertaking against SRE Investment for the time being.

As advised by the Directors, Goldjoy Vendor is a passive investor who holds minority interest in Liaoning High School and has not participated in the business operations of Liaoning High School. The Acquisition merely represents the Company's acquisition of an additional 20% equity interest in Liaoning High School where the Company is holding a controlling stake of 70% in Liaoning High School and is responsible for its business development and operations (including but not limited to the application of the land use rights). Having considered the above, and the fact that SRE Investment has already provided the Undertaking for the obtaining of land use right certificates for the entire Land, we are of the view that the terms of the Goldjoy Acquisition Agreement is fair and reasonable.

LETTER FROM CMB INTERNATIONAL

2. Reasons for the delay in enforcement of the Undertaking

As set out in the Letter from the Board in the Circular, the Company proposes not to enforce the Undertaking against SRE Investment for the time being for the following reasons:–

- (i) As disclosed in the announcement of the Company dated 26 June 2009, the delay in the obtaining of land use rights certificates for the remaining portion of the Land is due to delay in the demolition and relocation work of the 遼寧省體育運動學院 (Liaoning Provincial Sports Institute) and its sports training stadium situated on the Land by the Shenyang Municipal Government. The reason for such delay is entirely an act of government which is beyond the control of the parties to the Konmen Acquisition Agreement.
- (ii) Development of the portion of the Land with land use rights certificates obtained has already commenced, and pre-sale of the Phase I Shenyang Albany of the commercial and residential development is expected to be in mid-2010. The delay in obtaining the land use rights certificates for the remaining portion of the Land is not expected to have adverse impact on the Group's development plan for the Land or its financial performance.
- (iii) The Company has been benefiting from the increase in the value of the Land and is expected to further benefit from the sale of properties of the development in view of shortage of land supply in Shenyang, the PRC.
- (iv) The Company's PRC legal adviser had opined in the PRC Legal Opinion that subject to completion of relevant procedures according to the PRC law, the punctual payment of the land premium for the remaining portion of the Land, the entering into of the state owned land use rights transfer agreement and the application for land registration according to law by Liaoning High School, there is no substantive legal impediment for Liaoning High School to obtain the land use rights certificates for the remaining portion of the Land.

LETTER FROM CMB INTERNATIONAL

Having considered the PRC Legal Opinion and taking into consideration of the Group's development plan of the Land as well as the significant appreciation of the value of the Land, the Directors considered it fair and reasonable and in the interest of the Group and the Independent Shareholders as a whole for the Company not to exercise its right under the Undertaking against SRE Investment for the time being and to delay enforcement of the Undertaking against SRE Investment to 31 December 2012 if by that time Liaoning High School still fails to obtain the land use rights certificates in respect of the remaining portion of the Land. It was provided in the Konmen Acquisition Agreement that any forbearance or delay by a party in exercising any of its rights thereunder shall not be constituted as a waiver thereof.

Having considered that (i) the reason for the delay in obtaining the land use rights in respect of the remaining portion of the Land was primarily due to the act of the government, the timing of which cannot be controlled by either SRE Investment and the Company; (ii) the Shenyang Government is making continuous progress on the demolition and relocation work in respect of the Land; (iii) Company has not waived any of its rights under the Undertaking but to delay its enforcement to 31 December 2012 (which according to the Directors, it is a prudent approach to expect the demolition and relocation work to be completed, and the relevant land use rights certificates of the remaining portion of the Land to be obtained by the end of 2012); (iv) there is no substantive legal impediment for obtaining the land use rights certificates of the remaining portion of the Land subject to certain normal procedural requirements for the land registration in the PRC as stated in the PRC Legal Opinion; (v) the development of the portion of the Land with land use rights certificates obtained has already commenced and pre-sale of the Phase I Shenyang Albany is expected to be in mid-2010; (vi) the expectation of the appreciation of the value of the real estate market in Shenyang; (vii) the delay in obtaining the remaining portion of the Land will impose no material adverse impact on the Company's current development plan on the Land; and (viii) the underlying purpose of the Undertaking is to provide additional protection for the Group in obtaining the Land under the Konmen Acquisition Agreement. In view of the above, we are of the view that it is beneficial for the Company to continue to develop the relevant property projects on the Land which is in line with the Company's business strategy to expand its property development business in Shenyang. Accordingly, we are of the view that it is fair and reasonable not to exercise the Company's right under the Undertaking for the time being and to delay enforcement of the Undertaking against SRE Investment to 31 December 2012 if by that time Liaoning High School still fails to obtain the land use rights certificates in respect of the remaining portion of the Land.

LETTER FROM CMB INTERNATIONAL

RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the opinion that i) the terms of the Agreement and the Acquisition are on normal commercial terms, in ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole; and ii) it is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole not to exercise the Company's right under the Undertaking for the time being and to delay enforcement of the Undertaking against SRE Investment to 31 December 2012 if by that time Liaoning High School still fails to obtain the land use rights certificates in respect of the remaining portion of the Land.

Accordingly, we advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of (i) the resolution approving the Agreement and the transactions contemplated thereunder; and (ii) the resolution approving the proposal for delay in enforcement of the Undertaking at the SGM.

For and on behalf of
CMB International Capital Corporation Limited
Freeman Lau
Executive Director

Set out below is the text of the letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 September 2009 of the properties located in the PRC.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

18 November 2009

The Directors
SRE Group Ltd.
Suite 2501
Tower 1, Convention Plaza Office
No. 1 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from SRE Group Limited (the “Company”, and together with its subsidiaries referred to as the “Group”) for us to value the properties held by its 70%-owned subsidiary Liaoning High School Support Group Property Development Limited (“遼寧高校後勤集團房地產開發有限公司”) (“Liaoning High School”) located in the PRC. We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of the market values of the properties as at 30 September 2009 in connection with the proposed acquisition by the Group of a further 20% interest in Liaoning High School through the acquisition of Goldjoy Investment Limited (the “Acquisition”).

BASIS OF VALUATION

Our valuations of the properties have been based on the Market Value, which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

PROPERTY CATEGORIZATION

In the course of our valuations, the portfolio of the properties is categorized into the following groups:

Group I – Property interest to be acquired by the Group for sale in the PRC

Group II – Property interest to be acquired by the Group for future development in the PRC

VALUATION METHODOLOGY

In valuing the properties, we have valued them on an open market basis by the Comparison Approach assuming sale in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of age, time, location, floor level and other relevant factors.

TITLE INVESTIGATION

We have been provided with copies of title/legal documents relating to the properties and have been advised by the Group that no further relevant documents have been produced. However, we have not searched the original documents to verify ownership or to ascertain any amendments, which may not appear on the copies handed to us. In the course of our valuations, we have relied on the advice and information given by the Group and its PRC legal adviser, Yan Yiming Law Firm (上海嚴義明律師事務所) regarding the titles of the properties. All documents have been used for reference only.

In valuing the properties, we have relied on the advice given by the Group and its PRC legal adviser that the Group has valid and enforceable titles to the Properties which is freely transferable, and has free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the open market in their existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement of any similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group in such matters as approvals or statutory notices, easements, tenure, particulars of occupancy, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

Except otherwise stated, all dimensions, measurements and areas included in the valuation certificates is based on the information contained in the documents provided to us by the Group and are therefore approximations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and the Group has also advised us that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations are prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

We hereby certify that we neither have any present nor any prospective interest in the Group, the appraised properties or the values reported.

Unless otherwise stated, all money amounts stated herein are in Renminbi and no allowances have been made for any exchange transfer.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng

BSc, MUD, MBA (Finance), MSc (Eng), PhD (Econ),
MHKIS, MCI Arb, AFA, SIFM, FCIM,
MASCE, MIET, MIEEE, MASME, MIIE
Managing Director

Joannau W.F. Chan

BSc. MSc. MRICS MHKIS RPS(GP)
Senior Director

Notes:

Dr. Tony C.H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has about 16 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has about 16 years' experience in valuations of properties in Hong Kong and over 10 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 30 September 2009 RMB	Interest to be acquired by the Group pursuant to the Acquisition	Additional Value attributable to the Group corresponding to the Acquisition RMB	Total interest attributable to the Group upon completion of the Acquisition	Total Value attributable to the Group upon completion of the Acquisition RMB
Group I – Property interest to be acquired by the Group for sale in the PRC						
1.	Unsold portion of a composite development, known as “Appreciate Europe” (建賞歐洲) located at No. 134 – 138 Changjiang Street, Huanggu District, Shenyang City, Liaoning Province, the PRC	128,000,000	20%	25,600,000	90%	115,200,000
Group II – Property interest to be acquired by the Group for future development in the PRC						
2.	A land parcel located on the eastern side of South Main Street, Heping District, Shenyang City, Liaoning Province, the PRC	895,000,000	20%	179,000,000	90%	805,500,000
	Total:	<u>1,023,000,000</u>		<u>204,600,000</u>		<u>920,700,000</u>

VALUATION CERTIFICATE

Group I – Property interest to be acquired by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2009 RMB																		
1.	Unsold portion of a composite development, known as “Appreciate Europe” (建賞歐洲) located at No. 134 -138 Changjiang Street, Huanggu District, Shenyang City, Liaoning Province, the PRC	<p>“Appreciate Europe” (建賞歐洲) (the “development”) is a residential/commercial composite development with a total gross floor area (“GFA”) of approximately 278,298.53 sq.m. which are erected on a land parcel with a site area of approximately 94,871.7 sq.m. The development was completed in 2007.</p> <p>The property comprises the unsold portion of the development with a total GFA of 12,737.99 sq.m. The details are as follows:</p> <table border="1"> <thead> <tr> <th>Types</th> <th>No. of Units</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Sales Office</td> <td>1</td> <td>890.72</td> </tr> <tr> <td>Commercial</td> <td>12</td> <td>2,932.23</td> </tr> <tr> <td>Office</td> <td>66</td> <td>8,168.29</td> </tr> <tr> <td>Residential</td> <td>5</td> <td><u>746.75</u></td> </tr> <tr> <td>Total:</td> <td></td> <td><u>12,737.99</u></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term of 50 years commencing on 7 November 2005 and expiring on 7 November 2055 for cities and towns mixed residential use and for a term of 40 years commencing on 7 November 2005 and expiring on 7 November 2045 for commercial use.</p>	Types	No. of Units	GFA (sq.m.)	Sales Office	1	890.72	Commercial	12	2,932.23	Office	66	8,168.29	Residential	5	<u>746.75</u>	Total:		<u>12,737.99</u>	The property is vacant and available for sale.	<p>128,000,000</p> <p>(20% additional interest attributable to the Group pursuant to the Acquisition: 25,600,000</p> <p>90% interest attributable to the Group upon completion of the Acquisition: 115,200,000)</p>
Types	No. of Units	GFA (sq.m.)																				
Sales Office	1	890.72																				
Commercial	12	2,932.23																				
Office	66	8,168.29																				
Residential	5	<u>746.75</u>																				
Total:		<u>12,737.99</u>																				

Notes: -

- Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同), Shen Gui Guo Tu Chu He Zi (2005) No. 0160, entered into between Shenyang City Planning and Land Resources Bureau (瀋陽國土規劃和國土資源局) and Liaoning High School dated 7 November 2005, the land use rights in respect of the land parcel of the property with a site area of 94,871.7 sq.m. has been agreed

to be transferred to the latter party for a term of 50 years commencing on 7 November 2005 and expiring on 7 November 2055 for cities and towns mixed residential use and for a term of 40 years commencing on 7 November 2005 and expiring on 7 November 2045 for commercial use.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用權證), Shen Yang Guo Yong (2005) Di No. 045, issued by Shenyang City Planning and Land Resources Bureau (瀋陽市規劃和國土資源局) dated 15 November 2005, the land use rights of the property have been granted to Liaoning High School for a term of 50 years commencing on 7 November 2005 and expiring on 7 November 2055 for cities and towns mixed residential use and for a term of 40 years commencing on 7 November 2005 and expiring on 7 November 2045 for commercial use.
3. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證), Shen Gui Tu Zhen Zi Year 2005 No. 0101, issued by Shenyang City Planning and Land Resources Bureau (瀋陽國土規劃和國土資源局) dated 30 April 2005, Liaoning High School is permitted to develop the land parcel of the property with a site area of 94,871.7 sq.m.
4. Pursuant to 11 Construction Works Commencement Permits (建築工程施工許可證), 210104200604290601, 210104200604280301, 210104200604290101, 210104200604290201, 210104200604290301, 210104200604290501, 210104200604290401, 210104200511220301, 210104200511220401, 210104200511220101 and 210104200511220201, issued by Shenyang City Town and Village Construction Committee (瀋陽市城鄉建設委員會), Liaoning High School is permitted to commence the construction works of the development.
5. Pursuant to 4 Shenyang City Commodity Flat Pre-Sale Permits (商品房預售許可證), issued by Shenyang City Real Estate Bureau (瀋陽市房產局), Liaoning High School is permitted to pre-sell the property with a total GFA of 278,298.53 sq.m. The salient details of the permits are as follows:

Permit No.	Issue Date	Uses	Block No.	No. of Units	GFA (sq.m.)
Shen Fang Yu Shou Di No. 05175	24 Nov 2005	Common Residential (普通住宅)	6, 7, 10-14	746	100,103.76
Shen Fang Yu Shou Di No. 06061	22 Apr 2006	Residential (住宅)	5, 8, 9	316	41,243.44
Shen Fang Yu Shou Di No. 06184	6 Sep 2006	Residential (住宅) Common area/ ancillary facilities (公建)	1-4, 15-17 15-19	912 136	116,035.48 19,432.22
Shen Fang Yu Shou Di No. 06413	26 Dec 2006	Common area/ ancillary facilities (公建)	20, 23	11	1,483.63
Total =			23	2,121	278,298.53

* The total number of residential units can be sold in the market is 1,974 while the remaining 147 units are for re-housing use.

6. Pursuant to a Construction Work Initial Registration Approval (同意在建房屋初始批復), Shen Fang Quan Chu Deng Zi 2008 Di No. 081910, issued by Real Estate Bureau of Shenyang City (瀋陽市房產局) dated 16 June 2008, the buildings located in Nos. 134, 136, 138 and 138-2 Changjiang Street are approved by Real Estate Bureau of Shenyang City for initial registration.
7. Pursuant to a Construction Work Mortgage Registration Approval (在建工程抵押備案登記的批復), Shen Fang Fa (2006) Zai Jian Bei Zi Di No.19, issued by Real Estate Bureau of Shenyang City (瀋陽市房產局), a mortgage in favour of China Construction Bank Corporation Limited – Shenyang Zhongshan Branch in a consideration of RMB150,000,000 was approved by Real Estate Bureau of Shenyang City.

8. Pursuant to 14 Building Ownership Initial Registration Certificates (房屋所有權初始登記證明), issued by Real Estate Bureau dated 14 January 2009, 14 offices of the property fulfilled the requirement of building ownership initial registration and have been registered.
9. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group is as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Grant Contract | Yes |
| State-owned Land Use Rights Certificate | Yes |
| Construction Land Planning Permit | Yes |
| Construction Works Commencement Permits | Yes |
| Shenyang City Commodity Flat Pre-Sale Permits | Yes |
10. The opinions of the PRC legal advisor – Yan Yiming Law Firm contains, inter alia, the following:
- Liaoning High School is a sino-foreign equity joint-venture which is owned as to 70% by Konmen Investment Limited; 20% by Shenyang Luyi Property Company Limited (瀋陽緣怡置業有限公司) and 10% by Shenyang Gaochung Jinshang Property Investment Consultation Co., Ltd respectively before the acquisition of property interest;
 - The profit of the Liaoning High School is to be shared amongst the shareholders in accordance with ratio of their respective equity holdings;
 - The equity interest of Liaoning High School can be transferred on the conditions that a consent from all directors have been obtained; the other shareholders have given up the pre-emptive rights of the equity interest and the approval from relevant government authority has been obtained;
 - Liaoning High School has legally obtained the State-owned Land Use Rights Certificate in respect of the land parcel of the property with a site area of 94,871.7 sq.m.;
 - The land premium of the property has been settled in full;
 - The construction works of the property is in compliance with the city planning requirements and relevant PRC Law; and
 - Liaoning High School has legally obtained relevant certificates of building ownership. According to the PRC law, there exists no legal impediment for Liaoning High School to transfer the property.

VALUATION CERTIFICATE

Group II – Property interest to be acquired by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2009 RMB
2.	A land parcel located on the eastern side of South Main Street, Heping District, Shenyang City, Liaoning Province, the PRC	<p>The property comprises a land parcel with a site area of approximately 153,696 sq.m. (or about 230.5 mu).</p> <p>The property will be developed into a residential / commercial development with a total gross floor area (“GFA”) of approximately 922,176 sq.m. (or about 9,926,302.46 sq.ft.)</p> <p>The land use rights of portion of the property with a site area of 42,725.8 sq.m. have been granted for a term expiring on 11 December 2058 for cities and towns mixed residential use. There are no land use rights certificate obtained for the remaining portion of the property.</p>	<p>The property is at its early stage of planning and development.</p> <p>As the relevant demolition and relocation works have not been carried out, no construction costs have been incurred in the property.</p>	<p>895,000,000</p> <p>(20% additional interest attributable to the Group pursuant to the Acquisition: 179,000,000</p> <p>90% interest attributable to the Group upon completion of the Acquisition: 805,500,000)</p> <p>(Please refer to Note 7)</p>

Notes: -

- Pursuant to a Heping South Main Street Eastern Land Parcel Auction Transaction Confirmation Letter (和平南大街東地塊拍賣成交確認書) (the “Confirmation Letter”), Shen Tu Jiao Zi [2007] No. 43 entered into between Shenyang Land Bank Transaction Centre (瀋陽市土地儲備交易中心) and Liaoning High School dated 3 August 2007, Liaoning High School had successfully bid the property with a site area of 153,696 sq.m. at a consideration of RMB1,192,680,960 inclusive of demolition and relocation costs which are subject to adjustments.
- Pursuant to an Application for Amendments of Planning Conditions Report (申請修改規劃的報告) approved by Shenyang City Heping District People’s Government (瀋陽市和平區人民政府) and Shenyang City Heping District Committee (瀋陽和平區委) dated 8 August 2007, Liaoning High School has applied to increase the plot ratio for the development of the property from 3.5 to 6.
- Pursuant to two State-owned Land Use Rights Certificates (國有土地使用權證), Shen Yang Guo Yong (2009) Di No. 043 and Shen Yang Guo Yong (2009) Di No. 044, issued by Shenyang City Planning and Land Resources Bureau (瀋陽市規劃和國土資源局) dated 5 March 2009, the land use rights of the portion of the property with a total site area of 42,725.8 sq.m. have been granted to Liaoning High School for a term expiring on 11 December 2058 for cities and towns mixed residential use.
- Pursuant to the People’s Republic of China Construction Land Planning Permit (中華人民共和國建設用地規劃許可證), Shen Gui Tu Zhen Zi Year 2008 No. 0011, issued by Shenyang Planning and Land Resources Bureau (瀋陽市規劃和國土資源局) dated 20 February 2008, Liaoning High School is permitted to develop the property with a site area of 69,717.6 sq.m.

5. Pursuant to the People's Republic of China Construction Works Planning Permit (中華人民共和國建設工程規劃許可證), Jian Zi Di No.210100200900054, issued by Shenyang Planning and Land Resources Bureau (瀋陽市規劃和國土資源局) dated 18 May 2009, Liaoning High School is permitted to develop the property with a total GFA of 130,929.1 sq.m.
6. Pursuant to a Land Use Rights Mortgage Agreement (土地使用權抵押合同), No.YD710120092802990 (編號:YD710120092802990), entered into between Liaoning High School and Shanghai Pudong Development Bank Company Limited – Shenyang Branch (上海浦東發展銀行股份有限公司瀋陽分行) ("Shanghai Pudong Development Bank") dated 24 June 2009, both parties agreed that Liaoning High School pledged portion of land of the property with a site area of 21,134.6 sq.m. for a loan of RMB1,000,000,000 offered by Shanghai Pudong Development Bank.
7. The market value above is in respect of the portion of land of the property with site area of approximately 42,725.8 sq.m (or about 459,900 sq.ft.) of which state-owned land use rights certificates have been obtained. In arriving at our valuation, we cannot attribute any commercial value to the remaining portion of land of the property with a site area of approximately 110,970.2 sq.m (or about 1,194,483 sq.ft.) of which state-owned land use rights certificates have not yet been obtained. However, for reference purpose, if state-owned land use rights certificates had been obtained for the entire parcel of the land as at 30 September 2009, the market value of the entire parcel of the land as at 30 September 2009 would be approximately RMB3,220,000,000.
8. As per information provided by the Company, the development details of the property are summarized as follows:

Existing stage of development	:	The property is at its early stage of development, which primarily involves the relocation of the existing Liaoning Sports College on the site.
Estimated completion date	:	Demolition and relocation works – October 2008 Construction works and resettlement of dwellings (Phase I) – October 2009 Residential and commercial units (Phase I) – May 2010 Construction works (Phase II) – September 2010 Residential and commercial units (Phase II) – May 2011
Estimated cost of carrying out/completing the development	:	The estimated building costs for the whole development is about RMB3,742,000,000.
Estimated capital value after completion	:	Based on the proposed development, the capital value after completion is estimated to be approximately RMB5,309,000,000.
Planning or other regulatory consents for development	:	The salient development conditions as stipulated in the Confirmation Letter and the Application for Amendments of Planning Conditions Report are summarized as below: Uses: Residential/Commercial; Site Area: 153,696 sq.m. Plot Ratio: 6 Green Land Ratio: Minimum 30% of the total site area Commercial Ratio: 20% of the total GFA Building Density: 28%

9. The status of title and grant of major approvals, contracts and permits in accordance with the information provided by the Group are as follows:
10. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group is as follows:
- | | |
|--|--------|
| Heping South Main Street Eastern Land Parcel Auction Transaction Confirmation Letter | Yes |
| Application for Amendments of Planning Conditions Report | Yes |
| State-owned Land Use Rights Grant Contract | Partly |
| State-owned Land Use Rights Certificate | Partly |
| Building Ownership Certificate | No |
11. The opinions of the PRC legal advisor – Yan Yiming Law Firm contains, inter alia, the following:
- a. Liaoning High School is a sino-foreign equity joint-venture which is owned as to 70% by Konmen Investment Limited; 20% by Shenyang Luyi Property Company Limited and 10% by Shenyang Gaochung Jinshang Property Investment Consultation Co., Ltd respectively before the acquisition of property interest;
 - b. The profit of the Liaoning High School is to be shared amongst the shareholders in accordance with ratio of their respective equity holdings;
 - c. The equity interest of Liaoning High School can be transferred on the conditions that a consent from all directors have been obtained; the other shareholders have given up the pre-emptive right of the equity interest and the approval from relevant government authority has been obtained;
 - d. Liaoning High School has legally obtained the State-owned Land Use Rights Certificate in respect of portion of the land of the property with a site area of 42,725.8 sq.m;
 - e. Liaoning High School has settled the land premium in respect of portion of the land of the property with a site area of 42,725.8 sq.m and has the right to use that portion of land conditionally;
 - f. Subject to the fulfillment of 25% of the total amount of development investment stated in the State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同) and written approval of the mortgagee of the portion of the land of property with a site area of 21,134.6 sq.m., Liaoning High School has the rights to transfer the portion of land of the property with a site area of 42,725.8 sq.m;
 - g. Liaoning High School has not obtained the State-owned Land Use Rights Certificate in respect of remaining portion of the land of the property with a site area of 110,000 sq.m. due to the delay of resettlement schedule of the residences of the existing building;
 - h. According to Minutes of the Business Conference of the City of Government (市政府業務會議紀要) dated 3 September 2008, the government of Shenyang City agreed to defer the payment of premium upon relocation of Liaoning Province Sports Institute (遼寧省體育運動學校); and
 - i. Subject to the compliance by Liaoning High School of the relevant procedure for development of land in accordance with law; full settlement of the land premium by Liaoning High School; the signing of State-owned Land Use Right Agreement; and the application for land registration according to law, there exists no substantive legal impediment for Liaoning High School to obtain relevant Land Use Rights Certificate of the remaining portion of land of the property with a site area of 110,000 sq.m.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified 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 are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares and underlying shares of the Company

Long position in Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of total issued share capital
Shi Jian	2,076,887	2,220 <i>(Note 1)</i>	1,248,400,938 <i>(Note 2)</i>	1,250,480,045	34.70%
Li Yao Min	2,220	–	–	2,220	0.00006%
Yu Hai Sheng	1,065,987	–	–	1,065,987	0.03%

Short position in Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of total issued share capital
Shi Jian	–	–	150,000,000 <i>(Note 3)</i>	150,000,000	4.16%

Notes:

1. These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.
2. These Shares were held by SRE Investment in which Mr. Shi Jian and his spouse, Md. Si Xiao Dong, together beneficially own 63% of its issued share capital. The remaining 37% interest in SRE Investment were held by other management staff of the Company including but not limited to Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Yue Wai Leung, Stan and Mr. Jiang Xu Dong.
3. These represent short position in Shares in which SRE Investment was interested in.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified 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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

- (b) As at the Latest Practicable Date, so far as was known to the Directors, the interests and short positions of the persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of total issued share capital
Si Xiao Dong	Beneficial owner, spouse and corporate interest	1,250,480,045 (L) (Note 2)	34.70%
	Corporate interest	150,000,000 (S) (Note 3)	4.16%
SRE Investment	Beneficial owner	1,248,400,938 (L)	34.64%
		150,000,000 (S) (Note 3)	4.16%
Deutsche Bank Aktiengesellschaft	Beneficial owner and person having a security interest in shares	327,565,725 (L)	9.09%
		115,578,000 (S)	3.21%

Notes:

- (1) “L” represents long positions in Shares and “S” represents short positions in Shares.
- (2) These Shares comprised 2,220 Shares held by Md. Si Xiao Dong, 2,076,887 Shares held by her spouse Mr. Shi Jian and 1,248,400,938 Shares held by SRE Investment.
- (3) This represents the same block of 150,000,000 Shares held by SRE Investment.
- (4) As at the Latest Practicable Date, Mr. Shi Jian and Mr. Li Yao Min, both being executive Directors, were also directors of SRE Investment.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, 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.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, each of the following Directors had entered into service contract(s) with the Company, the terms and conditions of which are summarized below:

Name of Director	Date of service contract(s)	Term	Fixed annual remuneration	Termination notice period/ payment in lieu of notice
<i>Executive Directors</i>				
Shi Jian	1 July 2007, with supplemental contract dated 19 January 2009	1 July 2007 to 30 June 2010	HK\$2,000,000, and HK\$1,500,000 for the period from 1 January 2009 to 30 June 2010	6 months’ notice/ payment in lieu of notice
Li Yao Min	1 July 2007	1 July 2007 to 30 June 2010	HK\$1,500,000	6 months’ notice/ payment in lieu of notice
Yu Hai Sheng	1 July 2007, with supplemental contract dated 19 January 2009	1 July 2007 to 30 June 2010	HK\$2,500,000, and HK\$2,000,000 for the period from 1 January 2009 to 30 June 2010	6 months’ notice/ payment in lieu of notice

Name of Director	Date of service contract(s)	Term	Fixed annual remuneration	Termination notice period/ payment in lieu of notice
Jiang Xu Dong	1 July 2007	1 July 2007 to 30 June 2010	HK\$2,000,000	6 months' notice/ payment in lieu of notice
Yue Wai Leung, Stan	3 June 2009	3 June 2009 to 2 June 2012	HK\$2,200,000	6 months' notice/ payment in lieu of notice
<i>Non-executive Directors</i>				
Jing Bing Rong	1 July 2008	1 July 2008 to 30 June 2010	HK\$330,000	1 month's notice/ payment in lieu of notice
Cheung Wing Yui	1 July 2008	1 July 2008 to 30 June 2010	HK\$330,000	1 month's notice/ payment in lieu of notice
<i>Independent non-executive Directors</i>				
Jiang Xie Fu	1 July 2008	1 July 2008 to 30 June 2010	HK\$240,000	1 month's notice/ payment in lieu of notice
E Hock Yap	1 July 2008	1 July 2008 to 30 June 2010	HK\$220,000	1 month's notice/ payment in lieu of notice
Pang Long Qing	3 June 2009	3 June 2009 to 2 June 2011	HK\$360,000	1 month's notice/ payment in lieu of notice

Each Director is entitled to an annual bonus under the relevant service contract, the amount of which is to be determined by the Board from time to time (which shall not be more than 10% of the Company's profit after taxation and minority interests in any event).

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by any relevant member of the Group within one year without payment of compensation, other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Group were made up.

5. DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this Circular, as at the Latest Practicable Date, none of the Directors is 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.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far so was known to the Directors, none of the Directors, and their respective associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was not any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up.

8. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice in this circular:

Name	Qualification
CMB International	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporation finance) regulated activities under the SFO
BMI Appraisals Limited	Property valuers
Yan Yiming Law Firm	PRC lawyers

As at the Latest Practicable Date, each of CMB International, BMI Appraisals Limited and Yan Yiming Law Firm:

- (a) did not have any shareholding directly or indirectly in any member of Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

- (b) did not have any direct or indirect interest in any assets which had 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 2008, being the date to which the latest published audited accounts of the Group were made up.

Each of CMB International, BMI Appraisals Limited and Yan Yiming Law Firm has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report, opinion and/or valuation certificate (as the case may be) and the references to its name in the form and context in which they respectively appear.

9. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (b) The branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hong Kong up to and including the date of the SGM:

- (a) the Goldjoy Acquisition Agreement;
- (b) the Konmen Acquisition Agreement; and
- (c) the service contracts referred to in the section headed "Directors' Service Contracts" in paragraph 3 of this appendix.

NOTICE OF SPECIAL GENERAL MEETING



SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

NOTICE IS HEREBY GIVEN that a special general meeting of SRE Group Limited (the “**Company**”) will be held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 4 December 2009 at 3:00 p.m. for the purpose of considering, and if appropriate, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the sale and purchase agreement dated 28 October 2009 (the “**Goldjoy Agreement**”, a copy of which is produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) entered into between Ng Chi Ming Ken (the “**Vendor**”) as vendor and Konmen Investment Limited (the “**Purchaser**”) as purchaser for the sale and purchase of the Sale Share and Sale Loan (both as defined in the circular of the Company dated 18 November 2009 (the “**Circular**”), a copy of which is produced to the meeting marked “B” and initialed by the chairman of the meeting for the purpose of identification) and all transactions contemplated under or referred to in the Goldjoy Agreement and any other agreements or documents in connection therewith be and are hereby approved, confirmed and/or ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements (including but not limited to the Promissory Note (as defined in the Circular)) and do all such acts and things as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Goldjoy Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection with the Goldjoy Agreement and/or any further agreement or document as mentioned in paragraph (a) above and/or the transactions contemplated thereunder and all other matters incidental thereto, including agreeing and making any modifications, amendments, waivers,

* *for identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

variations or extensions of the Goldjoy Agreement and/or any further agreement or document as mentioned in paragraph (a) above and/or the transactions contemplated thereunder.”

2. “**THAT** the Company shall not exercise its right under the Undertaking (as defined in the Circular, a copy of which is produced to the meeting marked “B” and initialed by the chairman of the meeting for the purpose of identification) for the time being and shall delay enforcement of the Undertaking against SRE Investment Holding Limited to 31 December 2012 if by that time Liaoning High School (as defined in the Circular) still fails to obtain the land use rights certificates in respect of the remaining portion of the Land (as defined in the Circular).”

By order of the Board
SRE Group Limited
Shi Jian
Chairman

Hong Kong, 18 November 2009

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place of
Business in Hong Kong*

Room 2501, 25th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s branch share registrar and transfer office, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof, as the case may be).
- (3) Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.
- (4) The ordinary resolutions set out above will be voted by way of a poll.

NOTICE OF SPECIAL GENERAL MEETING

- (5) As at the date of this notice, the board of directors of the Company comprises five executive directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Yue Wai Leung, Stan; two non-executive directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong and three independent non-executive directors, namely Mr. Jiang Xie Fu, Mr. E Hock Yap and Mr. Pan Long Qing.
- (6) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English language version shall prevail.