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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 licensed securities dealer, registered institution 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 to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



DISCLOSEABLE AND CONNECTED TRANSACTION

Financial Adviser to the Company



KBC Bank N.V. Hong Kong Branch

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders

AmCap

Ample Capital Limited
豐盛融資有限公司

A letter from the Independent Board Committee containing its recommendation on the Acquisition and the Acquisition Agreement is set out on page 16 of this circular.

A letter from Ample Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Acquisition Agreement is set out on pages 17 to 29 of this circular.

A notice convening a SGM of the Company to be convened and held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 29 March 2010 at 3:00 p.m., is set out on pages 43 to 44 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 proxy form will preclude you from attending and voting in person at the SGM (or at any adjournment thereof) should you so desire.

* For identification purpose only

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 10 February 2010 entered into between the Vendor and the Purchaser pursuant to which the Purchaser has conditionally agreed to purchase the Sale Share and the Loan from the Vendor
“Agreed Percentage”	in respect of any point of time, refers to the aggregate percentage of equity interest in Huarui Asset Management which the Purchaser and/or its nominee has up to the relevant time acquired from the Vendor and/or companies wholly-owned by the Vendor pursuant to the Acquisition Agreement and the exercise of the Call Option
“Ample Capital”	Ample Capital Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Call Option”	an irrevocable option granted by the Vendor to the Purchaser under the Acquisition Agreement to require the Vendor to sell or procure the sale to the Purchaser and/or its nominee up to 40% of the equity interest in Huarui Asset Management
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition Agreement

DEFINITIONS

“Completion Date”	the tenth business day after all the Conditions have been satisfied or waived (as the case may be) or such other date as may be agreed in writing between the parties to the Acquisition Agreement
“Conditions”	the conditions precedent to Completion, as more particularly set out under the paragraph headed “Conditions to Completion” in the letter from the Board in this circular
“Consideration”	the total consideration for the Acquisition in the amount of RMB305,000,000 (approximately HK\$346,000,000), of which RMB285,247,396.48 (approximately HK\$323,755,795) is the consideration for the Sale Share and RMB19,752,603.52 (approximately HK\$22,419,205) is the consideration for the Loan
“Directors”	the directors of the Company
“Gao Feng”	Gao Feng Limited, company incorporated in the BVI which is wholly-owned by the Vendor
“Golden Corridor”	a project initiated by the government of the city of Shenyang, the PRC to develop a central business district in the centre of the city of Shenyang
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK Subsidiary”	Better Capital Limited, a limited liability company incorporated in Hong Kong which is a wholly-owned subsidiary of the Subject Company
“HK Subsidiary Acquisition”	the acquisition by the HK Subsidiary of 9% equity interest in Huarui Asset Management from Perfect Media, which is to be completed prior to Completion
“Huarui Asset Management”	瀋陽華銳世紀資產管理有限公司 (Shenyang Huarui Shiji Asset Management Limited), a limited liability company established in the PRC which is a 51% owned subsidiary of the Company with the remaining 49% equity interest currently owned by Perfect Media
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors

DEFINITIONS

“Independent Shareholders”	Shareholders who are not prohibited from voting under the Listing Rules to approve the Acquisition Agreement
“Jones Lang LaSalle Sallmanns”	Jones Lang LaSalle Sallmanns Limited, the independent valuer appointed by the Company for the valuation of the Retail Property
“Latest Practicable Date”	8 March 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the unsecured, non-interest bearing and repayable on demand loan in the sum of US\$2,874,257 (approximately HK\$22,419,205) which was at the date of the Acquisition Agreement and will as at Completion be outstanding and owing by the Subject Company to the Vendor
“Long Stop Date”	10 November 2010 or such later date as may be agreed in writing between the parties to the Acquisition Agreement
“Material Adverse Change (or Effect)”	any change (or effect), the consequence of which is to materially and adversely affect the financial position, business or property, results of operations, business prospects or assets of the Subject Group as a whole
“Option Interest”	such equity interest in Huarui Asset Management to be purchased by the Purchaser and/or its nominee pursuant to each exercise of the Call Option
“Perfect Media”	Perfect Media Holdings Limited, a company incorporated in Hong Kong which is wholly-owned by the Vendor through Gao Feng
“PRC”	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
“Purchaser”	Sinopower Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

DEFINITIONS

“Retail Property”	the property known as Rich Gate Shopping Mall (華府天地購物中心) together with the corresponding land use rights in respect of Rich Gate Shopping Mall
“Registration Procedures”	the registration procedures at the relevant State Administration for Industry & Commerce in the PRC in connection with the HK Subsidiary Acquisition pursuant to which the HK Subsidiary shall be registered as a shareholder of Huarui Asset Management interested in the registered capital of Huarui Asset Management in the sum of US\$2,874,258 (representing 9% equity interest in Huarui Asset Management) and a new business license shall be issued to Huarui Asset Management
“Sale Share”	1 share of US\$1 in the Subject Company, representing the entire issued share capital of the Subject Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Monday, 29 March 2010 at 3:00 p.m. at which an ordinary resolution will be proposed to approve, if thought fit, inter alia, the Acquisition and the Acquisition Agreement
“Shareholders”	holders of Shares
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“SRE Investment”	SRE Investment Holding Limited, a company incorporated in the BVI and a controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Company”	Big Prime Limited, a company incorporated in the BVI
“Subject Group”	the Subject Company, the HK Subsidiary and Huarui Asset Management

DEFINITIONS

“Vendor”	Md. Li De E (李德娥), who, save for her indirect interest in Huarui Asset Management through the Subject Company and Gao Feng, is independent of and not connected with the Company and its connected persons
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“sq.m.”	square metres
“%”	per cent.

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

In this circular, RMB has been converted to HK\$ at the rate of RMB0.881 = HK\$1 and US\$ has been converted to HK\$ at the rate of US\$1 = HK\$7.8 for illustration purpose only. No representation is made that any amounts in RMB, US\$ 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

10 March 2010

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

1. INTRODUCTION

The Company announced on 10 February 2010 that, inter alia, the Vendor and the Purchaser entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to purchase the Sale Share and the Loan from the Vendor at the consideration of RMB305,000,000 (approximately HK\$346,000,000), which will be paid by the Purchaser to the Vendor in cash at Completion.

As the consideration ratio calculated pursuant to Rule 14.07(4) of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirement pursuant to Chapter 14 of the Listing Rules. Further, as the Vendor is a substantial shareholder of Huarui Asset Management, a 51% owned subsidiary

LETTER FROM THE BOARD

of the Company, through its 100% interest in Gao Feng, the Vendor is a connected person of the Company as defined under the Listing Rules, and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the consideration ratio calculated pursuant to Rule 14.07(4) of the Listing Rules in respect of the Acquisition exceeds 2.5% and the consideration for the Acquisition is more than HK\$10,000,000, the Acquisition is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules.

The purpose of this circular is (a) to provide you with further information on, inter alia, the Acquisition; (b) to set out the advice of Ample Capital to the Independent Board Committee and the Independent Shareholders; (c) to set out the recommendations of the Independent Board Committee to the Independent Shareholders; (d) to set out the valuation report on the Retail Property prepared by Jones Lang LaSalle Sallmanns; (e) to give you a notice of the SGM with an ordinary resolution approving the Acquisition; and (f) to provide other information required under the Listing Rules.

2. THE ACQUISITION AGREEMENT

Date

10 February 2010

Parties to the Acquisition Agreement

- (i) Md. Li De E as the vendor; and
- (ii) Sinopower Investment Limited, a wholly-owned subsidiary of the Company, as the purchaser.

As the Vendor is a substantial shareholder of Huarui Asset Management, a 51% owned subsidiary of the Company, through her 100% interest in Gao Feng, the Vendor is a connected person of the Company as defined under the Listing Rules.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase the Sale Share and the Loan from the Vendor. The Sale Share represents the entire issued share capital of the Subject Company.

Information on the Subject Company

The Subject Company is an investment holding company incorporated in the BVI on 29 January 2010. As at the Latest Practicable Date, the principal asset of the Subject Company is its 100% interest in the HK Subsidiary and its principal activity is the holding of the entire issued share capital of the HK Subsidiary.

LETTER FROM THE BOARD

As at 9 February 2010, the unaudited net asset value of the Subject Company was US\$1 (approximately HK\$7.8). The Subject Company did not record any profit nor loss for the period from 29 January 2010 (the date of its incorporation) to 9 February 2010.

The original cost to the Vendor for the acquisition of the Subject Company was HK\$5,850.

Information on the HK Subsidiary

The HK Subsidiary is an investment holding company incorporated in Hong Kong on 3 February 2010. As at the Latest Practicable Date, the HK Subsidiary had no material assets and upon completion of the HK Subsidiary Acquisition, its principal activity will be the holding of 9% equity interest in Huarui Asset Management.

As at 9 February 2010, the unaudited net asset value of the HK Subsidiary was HK\$1. The HK Subsidiary did not record any profit nor loss for the period from 3 February 2010 (the date of its incorporation) to 9 February 2010.

The original cost to the Vendor for the acquisition of the HK Subsidiary was HK\$3,800.

Information on Huarui Asset Management

Huarui Asset Management is a limited liability company established in the PRC on 30 October 2007 and is a 51% owned subsidiary of the Company with the remaining 49% being currently owned by Perfect Media, a company wholly-owned by the Vendor. Prior to Completion, the HK Subsidiary shall acquire 9% equity interest in Huarui Asset Management from Perfect Media pursuant to the HK Subsidiary Acquisition. As at the Latest Practicable Date, the principal asset of Huarui Asset Management is the Retail Property and its principal activity is the operation and management of the Retail Property.

Based on the audited financial statements of Huarui Asset Management prepared under PRC Generally Accepted Accounting Principles, Huarui Asset Management recorded audited net asset value of approximately RMB55.60 million (approximately HK\$63.11 million) as at 31 December 2008. Based on the unaudited financial statements of Huarui Asset Management prepared under PRC Generally Accepted Accounting Principles, Huarui Asset Management recorded unaudited net asset value of approximately RMB138.13 million (approximately HK\$156.79 million) as at 31 December 2009.

Huarui Asset Management recorded an audited loss before and after tax of approximately RMB24.39 million (approximately HK\$27.68 million) and approximately RMB24.39 million (approximately HK\$27.68 million) respectively for the year ended 31 December 2008. Based on the unaudited financial statements of Huarui Asset Management prepared under PRC Generally Accepted Accounting Principles, Huarui Asset Management recorded an unaudited loss before and after tax of approximately

LETTER FROM THE BOARD

RMB63.99 million (approximately HK\$72.63 million) and approximately RMB63.99 million (approximately HK\$72.63 million) respectively for the year ended 31 December 2009.

The original cost to the Vendor for the acquisition of 9% equity interest in Huarui Asset Management was US\$2,874,258 (approximately HK\$22,419,212).

Information on the Retail Property

The Retail Property is located at the Western part of Huigong Plaza, Shenhe District, Shenyang, Liaoning Province, the PRC. The Retail Property comprises a shopping mall, namely Rich Gate Shopping Mall (華府天地購物中心) with a gross floor area of approximately 245,252 sq.m. The first basement level and first to fifth floors of Rich Gate Shopping Mall are occupied for retail use whereas car parking spaces were situated at the second basement level and the first floor of Rich Gate Shopping Mall.

The Consideration

The Consideration is RMB305,000,000 (approximately HK\$346,000,000), of which RMB285,247,396.48 (approximately HK\$323,755,795) is the consideration for the Sale Share and RMB19,752,603.52 (approximately HK\$22,419,205) is the consideration for the Loan. The Consideration will be paid by the Purchaser to the Vendor in cash at Completion.

The Consideration was determined after arm's length negotiation between the Company and the Vendor, with reference to, among other things, (i) the geographical location of the Retail Property, (ii) the expected valuation of the Retail Property as at 31 December 2009 as indicated by Jones Lang LaSalle Sallmanns, an independent valuer, and (iii) the market potential of the real estate and the retail sector of Shenyang, the PRC.

Conditions to Completion

Completion is conditional upon the following conditions being satisfied or waived (whether in full or in part, with or without conditions) by the Purchaser on or before the Long Stop Date:

- (i) the passing of a resolution at the SGM by the Independent Shareholders to approve the Acquisition Agreement and the transactions contemplated thereunder;
- (ii) completion of the HK Subsidiary Acquisition and the Registration Procedures;
- (iii) the Purchaser undertaking and completing a due diligence investigation in respect of the Subject Group including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financial structure and shareholding

LETTER FROM THE BOARD

structure of the Subject Group and the legality and effectiveness of the HK Subsidiary Acquisition and the Purchaser being satisfied with the results of such due diligence investigation in all respects;

- (iv) the parties to the Acquisition Agreement having obtained any and all other consents, permits, approvals, authorisations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated by the Acquisition Agreement; and
- (v) the warranties given by the Vendor under the Acquisition Agreement remaining true, accurate and not misleading in all material respects.

If any of the above Conditions is not fulfilled or waived by the Purchaser (other than the Conditions set out in (i), (ii) and (iv) above which cannot be waived) by no later than 4:00 p.m. on the Long Stop Date, the Acquisition Agreement shall lapse and be of no further effect and no party to the Acquisition Agreement shall have any claim against or liability or obligation to the other party in respect of the Acquisition Agreement save and except for any antecedent breaches of the Acquisition Agreement. As at the Latest Practicable Date, none of the Conditions had been fulfilled.

Purchaser's right to terminate the Acquisition Agreement

The Purchaser may on or before the Completion Date in its absolute discretion by notice in writing to the Vendor terminate the Acquisition Agreement forthwith if at any time prior to Completion:

- (a) the Vendor commits any breach of or omits to observe any of its obligations or undertakings under the Acquisition Agreement;
- (b) any creditor makes a valid demand for repayment or payment of any indebtedness of any member of the Subject Group or in respect of which any member of the Subject Group is liable prior to its stated maturity which demand can be expected to have a Material Adverse Change (or Effect);
- (c) the Vendor fails to observe certain provisions in the Acquisition Agreement relating to conduct of the business of the Subject Group prior to Completion;
- (d) any member of the Subject Group shall sustain any loss or damage which constitutes a Material Adverse Change (or Effect); or
- (e) any petition is presented for the winding up or liquidation of any member of the Subject Group or any member of the Subject Group makes any composition or arrangement with its creditors or enters into a scheme of the Subject Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Subject Group or anything analogous thereto occurs and have not been withdrawn within 14 days thereof in respect of any member of the Subject Group which can be expected to have a Material Adverse Change (or Effect).

LETTER FROM THE BOARD

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.

After Completion, the Subject Company and the HK Subsidiary will become wholly-owned subsidiaries of the Company and Huarui Asset Management will become a 60% owned subsidiary of the Company.

Call Option

Pursuant to the Acquisition Agreement, the Vendor has granted to the Purchaser the Call Option, which may be exercised by the Purchaser more than once from time to time and at any time during the period of 2 years from the Completion Date, to purchase in aggregate up to 40% of the equity interest in Huarui Asset Management by delivering to the Vendor a written option exercise notice.

The consideration for the Option Interest shall be payable by the Purchaser to the Vendor in RMB in cash at the relevant completion date and shall be calculated as follows:

$$\text{Consideration for the Option Interest} = A \times 90\%$$

where:

A = the fair value of the Option Interest as at the date being one month immediately preceding the date of the relevant option exercise notice, which shall be arrived at with reference to valuation of the Retail Property by an independent property valuer to be appointed by the Purchaser and agreed to by the Vendor.

The Call Option is an integral part of the Acquisition and the sale and purchase of the Option Interest pursuant to exercise of the Call Option may be either by way of the direct sale by Perfect Media of the Option Interest to the Purchaser and/or its nominee, or by way of the sale by the Vendor of a non-PRC incorporated wholly-owned company which holds the relevant Option Interest to the Purchaser and/or its nominee. The Group currently intends to exercise the Call Option in full within 2 years from the Completion Date. The Company will comply with the relevant disclosure, announcement and independent shareholders' approval requirements under Listing Rules as appropriate in the event that the Purchaser exercises the Call Option. The Vendor has also agreed that the relevant sale and purchase agreement relating to the Option Interest shall contain such conditions precedent as the Purchaser shall deem appropriate for the purpose of complying with any applicable Listing Rules requirements.

LETTER FROM THE BOARD

First Right of Refusal

In the event that the Vendor wishes to dispose of any of her direct or indirect interest in Huarui Asset Management (the “Sale Interest”), she shall give written notice to the Purchaser of such intention (the “Sale Notice”) specifying (i) the nature and particulars of the Sale Interests, (ii) the intended purchaser of the Sale Interest (“Intended Purchaser”) and (iii) the proposed terms of the sale including the price for the Sale Interest (the “Sale Price”) and the payment terms. Such Sale Notice once given shall be irrevocable and shall be deemed an offer to sell and assign to the Purchaser the Sale Interest at the price and on the terms specified in such notice and the Purchaser shall by written notice inform the Vendor whether it elects to acquire the Sale Interest (the “Election Notice”).

In the event that the Purchaser shall elect to acquire the Sale Interest, the Company will comply with the relevant disclosure, announcement and independent shareholders’ approval requirements under Listing Rules as appropriate. The Vendor has agreed that the relevant sale and purchase agreement relating to the Sale Interest shall also contain such conditions precedent as the Purchaser shall deem appropriate for the purpose of complying with any applicable Listing Rules requirements. In the event that the Purchaser elects not to acquire the Sale Interest, the Vendor may then within the period of 1 month from the date of the Election Notice sell the Sale Interest to the Intended Purchaser at the Sale Price and on terms no more favourable than those offered to the Purchaser and as specified in the Sale Notice.

Indemnity on tax

Pursuant to the Acquisition Agreement, the Vendor has undertaken to indemnify the Purchaser, for itself and as trustee for each member of the Subject Group, of:

- (a) any tax liabilities which may be chargeable by any PRC tax authorities on the Purchaser and/or any member of the Subject Group or which any PRC tax authorities may require the Purchaser and/or any member of the Subject Group to pay in connection with the sale of 9% equity interest in Huarui Asset Management from Perfect Media to the HK Subsidiary pursuant to the HK Subsidiary Acquisition, the sale of the Sale Share and the Loan by the Vendor to the Purchaser pursuant to the Acquisition Agreement and/or the acquisition of any Option Interest by the Purchaser and/or its nominee pursuant to the exercise of the Call Option; and
- (b) the Agreed Percentage of any income tax liabilities and land appreciation tax liabilities of Huarui Asset Management which may arise as a result of the disposal by Huarui Asset Management of the whole or any part of the Retail Property within the period of 5 years from the Completion Date, provided that the aggregate amount payable by the Vendor pursuant to the indemnity in this paragraph (b) shall not exceed an amount equal to the Agreed Percentage of the deferred tax liabilities of Huarui Asset Management as

LETTER FROM THE BOARD

shown in the audited financial statements of Huarui Asset Management for the year ended 31 December 2009, which audited financial statements shall be prepared in accordance with Hong Kong Financial Reporting Standards.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

Given its large scale and prime location in the emerging Shenyang Golden Corridor business circle and its good potential for growth in both rental rates and occupancy, the Board is of the view that the Retail Property is of strategic importance to the Group's commercial property portfolio. The Golden Corridor business circle will be developed into a central business district in the city centre of Shenyang under the Golden Corridor project initiated by the Shenyang Municipal Government. Having considered the continuous expansion of the Rich Gate Shopping Mall and the increase of its occupancy rate, the Directors (including the independent non-executive Directors) are of the view that any opportunity for the Group to increase its stake in the Retail Property will potentially have positive impact on the Group's consolidated financial results attributable to the Shareholders, including, among others, potential additional capital appreciation and the reduction in minority interests.

Pursuant to the Acquisition Agreement, the Vendor has granted to the Purchaser the Call Option, which may be exercised by the Purchaser at any time during the period of 2 years from the Completion Date, to purchase in aggregate up to 40% of the equity interest in Huarui Asset Management. The Company considers that the Acquisition Agreement (including the Call Option) will provide a means to allow the Company to own up to 100% interest in Huarui Asset Management, and therefore, the Call Option is valuable as it provides a good investment opportunity to acquire additional interest in the Retail Property at 10% discount based on the fair value of the Option Interest yet presents flexibility since the Call Option may be exercised multiple times over a period of 2 years.

4. IMPLICATION OF THE LISTING RULES

As the consideration ratio calculated pursuant to Rule 14.07(4) of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirement pursuant to Chapter 14 of the Listing Rules. Further, as the Vendor is a substantial shareholder of Huarui Asset Management, a 51% owned subsidiary of the Company, through her 100% interest in Gao Feng, the Vendor is a connected person of the Company as defined under the Listing Rules, and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the consideration ratio calculated pursuant to Rule 14.07(4) of the Listing Rules in respect of the Acquisition exceeds 2.5% and the consideration for the Acquisition is more than HK\$10,000,000, the Acquisition is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules.

5. PRINCIPAL ACTIVITIES OF THE PURCHASER AND THE GROUP

The principal activity of the Purchaser is investment holding.

LETTER FROM THE BOARD

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.

6. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Acquisition and the Acquisition Agreement. No member of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Acquisition Agreement. The Company has appointed Ample Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Acquisition Agreement.

7. THE SPECIAL GENERAL MEETING

There is set out on pages 43 to 44 of this circular a notice of SGM to be held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 29 March 2010 at 3:00 p.m. at which an ordinary resolution will be proposed for approval by the Independent Shareholders of the Acquisition and the Acquisition Agreement. In compliance in the Listing Rules, the votes to be taken at the SGM in respect of the Acquisition and the Acquisition Agreement will be taken by poll, the results of which will be published after the SGM.

To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, (i) neither the Vendor nor any of her associates is a Shareholder; and (ii) none of the Shareholders has a material interest in the Acquisition Agreement and is required to abstain from voting on the resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch registrar, Tricor Tengis Limited, situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjournments thereof should you so desire.

8. RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out in page 16 of this circular; and
- (b) the letter from Ample Capital, the text of which is set out in pages 17 to 29 of this circular.

LETTER FROM THE BOARD

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the ordinary resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Taking into account the factors stated above as a whole, the Directors consider that the Acquisition and the Acquisition Agreement are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Group and the Shareholders as a whole. The Directors therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions thereunder.

The Independent Board Committee, having considered the advice of Ample Capital and taken into account the factors stated above as a whole, considers that the Acquisition and the Acquisition Agreement are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Group and the Shareholders as a whole. The Independent Board Committee therefore also recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

9. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
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)

10 March 2010

To the Independent Shareholders

Dear Sir or Madam,

This independent board committee has been appointed to advise you in connection with the Acquisition, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 10 March 2010 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the factors stated in the Letter from the Board in the Circular as well as terms of the Acquisition and the Acquisition Agreement and the advice of Ample Capital in relation thereto as set out on pages 17 to 29 of the Circular, we are of the opinion that the Acquisition and the Acquisition Agreement are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Group and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Jiang Xie Fu

E Hock Yap

Pan Long Qing

Independent non-executive

Independent non-executive

Independent non-executive

Director

Director

Director

LETTER FROM AMPLE CAPITAL

The following is the text of a letter of advice from Ample Capital to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, which has been prepared for the purpose of incorporation into this circular.

AmCap

Ample Capital Limited
豐盛融資有限公司

Ample Capital Limited

Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

10 March 2010

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the particulars of which have been set out in a circular to the Shareholders dated 10 March 2010 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to give our recommendation as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Details of the reasons for the Acquisition are set out in the section headed “Letter from the Board” in the Circular (the “**Board Letter**”).

On 10 February 2010, the Vendor and the Purchaser entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to purchase the Sale Share and the Loan from the Vendor for the aggregate consideration of RMB305,000,000 (approximately HK\$346,000,000), which will be paid by the Purchaser in cash to the Vendor at Completion.

The Company is incorporated in Bermuda with limited liability which shares are listed on the Main Board of the Stock Exchange. 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.

LETTER FROM AMPLE CAPITAL

As the consideration ratio calculated pursuant to Rule 14.07(4) of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirement pursuant to Chapter 14 of the Listing Rules. Further, as the Vendor is a substantial shareholder of Huarui Asset Management, a 51% owned subsidiary of the Company, through its 100% interest in Gao Feng, the Vendor is a connected person of the Company as defined under the Listing Rules, and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the consideration ratio calculated pursuant to Rule 14.07(4) of the Listing Rules in respect of the Acquisition exceeds 2.5% and the consideration for the Acquisition is more than HK\$10,000,000, the Acquisition is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules.

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular, the valuation report of the Retail Property (the "**Property Valuation**") as at 31 December 2009 prepared by Jones Lang LaSalle Sallmanns Limited ("**JLLS**"), the text of which is set out in Appendix I to the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Acquisition and the Property Valuation.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

LETTER FROM AMPLE CAPITAL

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in the Acquisition, we have taken into consideration the following factors:

1. Background information on the Group

As mentioned earlier, 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. Selected key financial information of the Group as extracted from the Company's interim report for the six months ended 30 June 2009 (the "Interim Report") is set out below.

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	387,610	2,655,800
Profit attributable to Shareholders	177,264	1,819,314

	As at	
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Total assets	22,455,619	21,307,129
Total liabilities	14,337,163	13,433,768
Net assets attributable to Shareholders	6,768,071	6,472,585

During the six months ended 30 June 2009, the Group recorded unaudited revenue of approximately HK\$387,610,000, representing an approximately 85.41% decrease to the unaudited revenue of approximately HK\$2,655,800,000 generated in the six months ended 30 June 2008. Furthermore, the Group generated unaudited profit attributable to Shareholders of approximately HK\$177,264,000 in the six months ended 30 June 2009, representing a decrease of approximately 90.26% compared with the unaudited profit attributable to Shareholders of approximately HK\$1,819,314,000 recorded during the six months ended 30 June 2008. The Interim Report attributes (i) the decrease in revenue to the decrease in property sales; and (ii) the decrease in profit attributable to Shareholders to the large fair value gain recorded during the six months ended 30 June 2008. As at 30 June 2009, the Group had unaudited total assets, total liabilities and net assets attributable to Shareholders of approximately HK\$22,455,619,000, HK\$14,337,163,000 and HK\$6,768,071,000 respectively.

LETTER FROM AMPLE CAPITAL

2. Information on the Subject Group and the Retail Property

The Board Letter states that the Subject Company is an investment holding company incorporated in the BVI on 29 January 2010. As at the Latest Practicable Date, the principal asset of the Subject Company is its 100% interest in the HK Subsidiary and its principal activity is the holding of the entire issued share capital of the HK Subsidiary.

The HK Subsidiary is an investment holding company incorporated in Hong Kong on 3 February 2010. As at the Latest Practicable Date, the HK Subsidiary had no material assets and upon completion of the HK Subsidiary Acquisition, its principal activity will be the holding of 9% equity interest in Huarui Asset Management.

Huarui Asset Management is a limited liability company established in the PRC on 30 October 2007 and is a 51% owned subsidiary of the Company with the remaining 49% being currently owned by Perfect Media, a company wholly-owned by the Vendor. Prior to Completion, the HK Subsidiary shall acquire 9% equity interest in Huarui Asset Management from Perfect Media pursuant to the HK Subsidiary Acquisition. As at the Latest Practicable Date, the principal asset of Huarui Asset Management is the Retail Property and its principal activity is the operation and management of the Retail Property.

The Retail Property is located at the Western part of Huigong Plaza, Shenhe District, Shenyang, Liaoning Province, the PRC. The Retail Property comprises a shopping mall, namely Rich Gate Shopping Mall (華府天地購物中心) with gross floor area of approximately 245,252 sq.m. The first basement level and first to fifth floors of Rich Gate Shopping Mall are occupied for retail use whereas car parking spaces were situated at the second basement level and the first floor of Rich Gate Shopping Mall.

Selected key financial information of Huarui Asset Management (prepared under PRC Generally Accepted Accounting Principles) as extracted from its unaudited management accounts for the year ended 31 December 2009 (the “**Management Accounts**”) and the Board Letter and the Board Letter is set out below:

	Year ended 31 December 2008 RMB'000 (audited)	Year ended 31 December 2009 RMB'000 (unaudited)
(Loss) before and after tax	(24,390)	(63,990)
Net assets (as at period end)	55,600	138,129

In our discussion with the Group's management, we have learnt that construction of the Retail Property completed in 2007, with commercial operation commencing in April 2008. During the year ended 31 December 2009, the average occupancy rate of the Retail Property was approximately 38 – 40%, and the occupancy rate during the two months ended 28 February 2010 was approximately 51%. According to a market

LETTER FROM AMPLE CAPITAL

study prepared by CB Richard Ellis, an independent full-service real estate services company, the overall vacancy rate for premium retail properties in Shenyang, Liaoning, the PRC was approximately 17.6% during the 4th quarter of 2009 which translates into an occupancy rate of approximately 82.4%. The Group's management is of the view that the operation of the Retail Property was still in an early stage of development during the year ended 31 December 2009, and the occupancy rate of the Retail Property is expected to reach approximately 80% by the end of the year ending 31 December 2010. Furthermore, the value of the Retail Property in Huarui Asset Management's books is expected to be subject to a fair value gain arising from the Property Valuation in the current financial year. Accordingly, the net asset value of Huarui Asset Management is expected to be appropriately adjusted in the current financial year as well. Having considered these factors, we do not consider that the financial information of Huarui Asset Management for the year ended 31 December 2009 represents the full value of the Retail Property and future business prospects of Huarui Asset Management.

3. Reasons for and benefits of the Acquisition

3.1 Views of the Directors as stated in the Board Letter

It is stated in the Board Letter that given its large scale and prime location in the emerging Shenyang Golden Corridor business circle and its good potential for growth in both rental rates and occupancy, the Board is of the view that the Retail Property is of strategic importance to the Group's commercial property portfolio. The Golden Corridor business circle will be developed into a central business district in the city centre of Shenyang under the Golden Corridor project initiated by the Shenyang Municipal Government. Having considered the continuous expansion of the Rich Gate Shopping Mall and the increase of its occupancy rate, the Directors (including the independent non-executive Directors) are of the view that any opportunity for the Group to increase its stake in the Retail Property will potentially have positive impact on the Group's consolidated financial results attributable to the Shareholders, including, among others, potential additional capital appreciation and the reduction in minority interests.

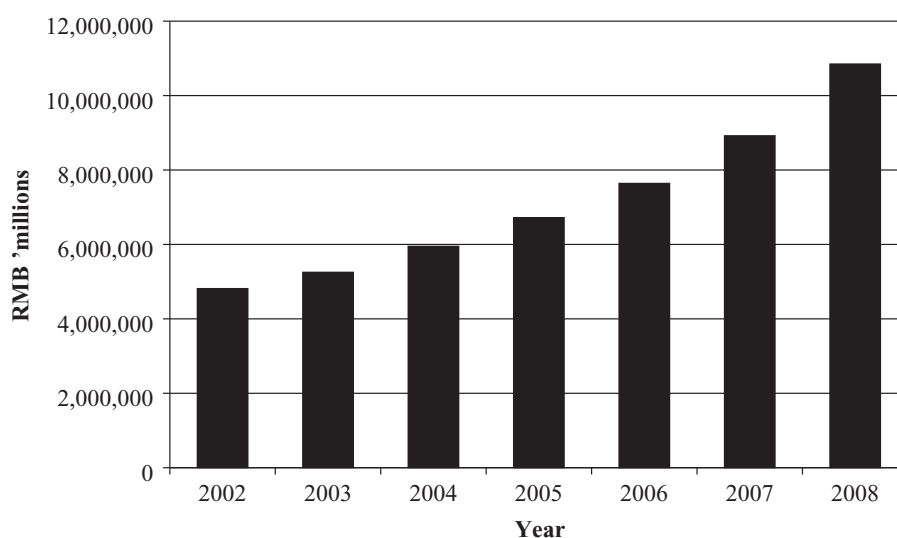
Pursuant to the Acquisition Agreement, the Vendor has granted to the Purchaser the Call Option, which may be exercised by the Purchaser at any time during the period of 2 years from the Completion Date, to purchase in aggregate up to 40% of the equity interest in Huarui Asset Management. The Company considers that the Acquisition Agreement (including the Call Option) will provide a means to allow the Company to own up to 100% interest in Huarui Asset Management, and therefore, the Call Option is valuable as it provides a good investment opportunity to acquire additional interest in the Retail Property at 10% discount based on the fair value of the Option Interest yet presents flexibility since the Call Option may be exercised multiple times over a period of 2 years.

LETTER FROM AMPLE CAPITAL

3.2 Overview of the retail industry and commercial property market in the PRC

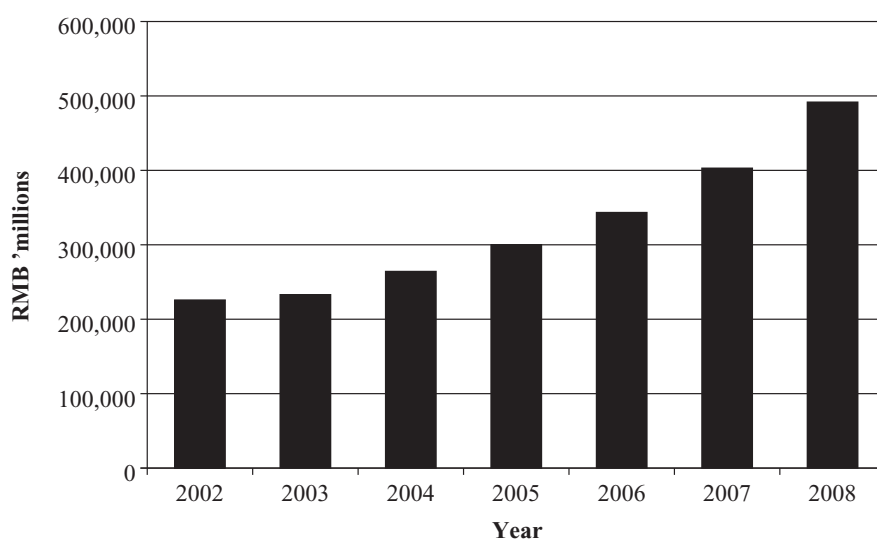
We set out below two charts illustrating the annual retail sales of consumer goods in (i) the PRC and (ii) Liaoning province, the PRC (“Liaoning”) respectively from years 2002 to 2008.

Total retail sales of consumer goods in the PRC



Source: *China Statistical Yearbook (中國統計年鑑) 2003 to 2009* compiled by National Bureau of Statistics of China (國家統計局)

Retail sales of consumer goods in Liaoning, the PRC



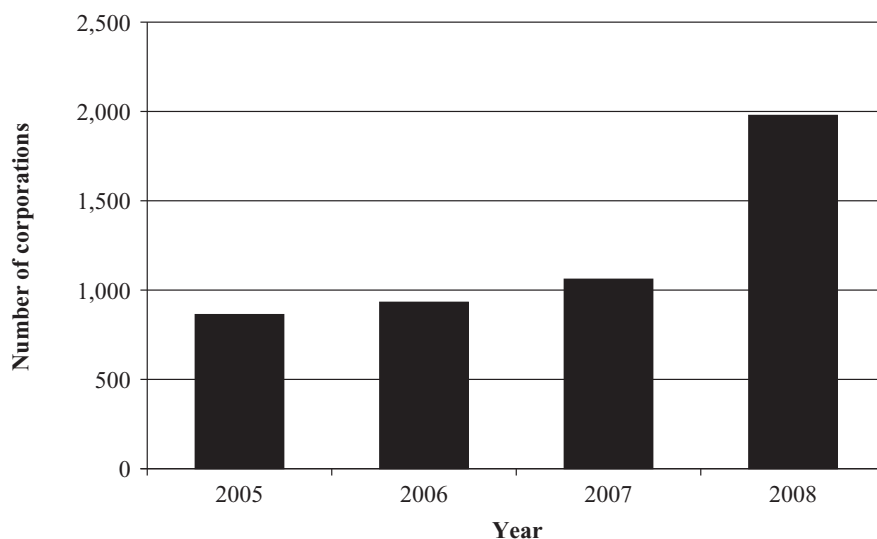
Source: *China Statistical Yearbook (中國統計年鑑) 2003 to 2009* compiled by National Bureau of Statistics of China (國家統計局)

LETTER FROM AMPLE CAPITAL

As demonstrated in the above charts, retail sales of consumer goods in both the PRC and Liaoning have seen some impressive growth in recent years. For example, the compound annual growth rate (“CAGR”) of retail sales of consumer goods in the PRC from the years 2002 to 2008 was approximately 12.31% while the CAGR of retail sales of consumer goods in Liaoning from the same years was approximately 11.76%. The growth in retail sales of consumer goods demonstrated above would have the effect of increasing the demand for retail space such as the Retail Property which principally consists of a shopping mall.

The following is a chart illustrating the number of corporations that are above designated size and engaged in the retail trade in Liaoning from 2005 to 2008.

**Number of corporation enterprises above designated size
in retail trade in Liaoning, the PRC**



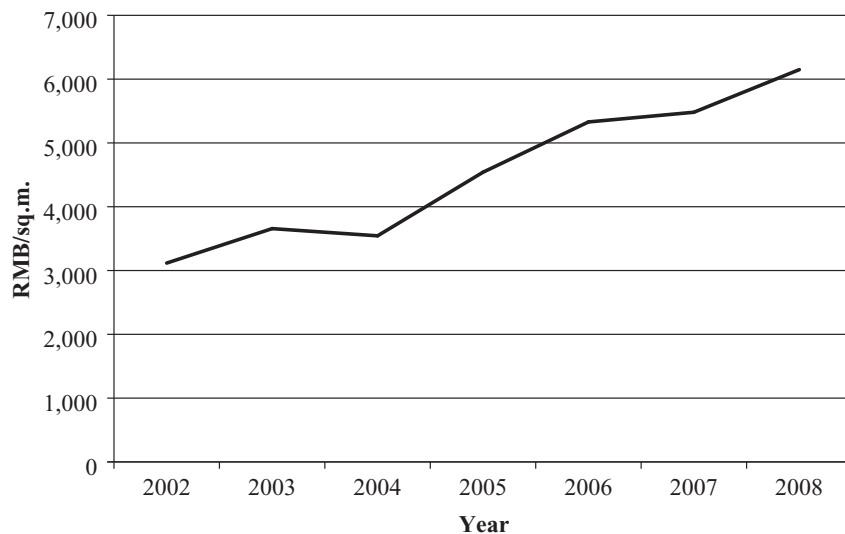
Source: China Statistical Yearbook (中國統計年鑑) 2006 to 2009 compiled by National Bureau of Statistics of China (國家統計局)

The number of corporations that are engaged in the retail trade in Liaoning has also experienced spectacular growth in recent years. The CAGR of the number of retail corporations in Liaoning from 2005 to 2008 was approximately 23.04%. Similar to the growth in retail sales of consumer goods discussed above, we believe that the increase in the number of retail corporations in Liaoning would have the effect of increasing the demand for retail space such as the Retail Property.

LETTER FROM AMPLE CAPITAL

Set out below is a chart illustrating the average selling price of commercial properties in Liaoning from 2002 to 2008.

Average selling price of commercial properties in Liaoning, the PRC



Source: *China Statistical Yearbook (中國統計年鑑) 2003 to 2009* compiled by National Bureau of Statistics of China (國家統計局)

Save for the year 2004 when it has experienced a slight decline, the average selling price of commercial properties in Liaoning has experienced a steady increase from 2002 to 2008. The CAGR of the average selling price of commercial properties in Liaoning was approximately 10.19% from 2002 to 2008. We were unable to identify the relevant data for rental rates of commercial properties in Liaoning. But judging from the steady increase in the average selling price of commercial properties in Liaoning, we believe rental rates of commercial properties in Liaoning should have experienced a similar pattern of increase.

4. Terms of the Acquisition Agreement

4.1 The Consideration

The Consideration is RMB305,000,000 (approximately HK\$346,000,000), of which RMB285,247,396.48 (approximately HK\$323,755,795) is the consideration for the Sale Share and RMB19,752,603.52 (approximately HK\$22,419,205) is the consideration for the Loan. The Consideration will be paid by the Purchaser to the Vendor in cash at Completion.

The Consideration was determined after arm's length negotiation between the Company and the Vendor, with reference to, among other things, (i) the geographical location of the Retail Property, (ii) the expected valuation of the Retail Property as at 31 December 2009 as indicated by JLLS, an independent valuer, and (iii) the market potential of the real estate and the retail sector of Shenyang, the PRC.

LETTER FROM AMPLE CAPITAL

We note from the consolidated cash flow statement set out in the Interim Report that during the six months ended 30 June 2009, the Group recorded unaudited net cash inflow from operating activities of approximately HK\$62,384,000. Furthermore, the Group had unaudited cash and bank balances of approximately HK\$1,639,285,000 as at 30 June 2009. The consideration of RMB285,247,396.48 (approximately HK\$323,755,795) in respect of the Sale Share therefore represents approximately 19.75% of the Group's unaudited cash and bank balances as at 30 June 2009. Based on the above, we consider that the cash impact arising out of the Acquisition is within the means of the Group.

The Group's management has indicated that they have considered other financing alternatives for the Acquisition such as debt and equity. Having considered (i) financing the Acquisition by debt would incur interest expenses and increase the Group's gearing; (ii) financing the Acquisition by equity may not be agreed by the Vendor and would result in dilution to the shareholding of existing Shareholders; and (iii) the Group's financial position and internal resources, the Group's management is of the view that the payment of the cash Consideration pursuant to the Acquisition Agreement is appropriate.

4.2 The Property Valuation

JLLS, an independent valuer, has compiled the Property Valuation set out in Appendix I to the Circular. It is stated in the Property Valuation that it has been prepared by JLLS using the income approach. Having conducted work we consider necessary including reviewing the Property Valuation and having discussions with JLLS, we consider the bases and assumptions and the valuation methodology adopted in the Property Valuation are fair and reasonable.

In the Property Valuation, the capital value of the Retail Property as at 31 December 2009 is valued at RMB2,910,000,000 (approximately HK\$3,303,065,000). Based on the unaudited net book value of the Retail Property as at 31 December 2009 of approximately RMB1,246,867,000 (approximately HK\$1,415,286,000), Huarui Asset Management is expected to record a fair value gain of approximately RMB1,663,133,000 (approximately HK\$1,887,779,000) on the Retail Property as a result of the Property Valuation. We have accordingly arrived at an adjusted net asset value of Huarui Asset Management of approximately RMB1,801,262,000 (approximately HK\$2,044,565,000) based on Huarui Asset Management's unaudited net asset value of approximately RMB138,129,000 (approximately HK\$156,787,000) as at 31 December 2009. Accordingly, the adjusted net asset value of Huarui Asset Management attributable to the Acquisition is approximately RMB162,114,000 (approximately HK\$184,011,000) (the "**Attributable Adjusted NAV**").

4.3 The Call Option

Pursuant to the Acquisition Agreement, the Vendor has granted to the Purchaser the Call Option, which may be exercised by the Purchaser more than once from time to time and at any time during the period of 2 years from the

LETTER FROM AMPLE CAPITAL

Completion Date, to purchase in aggregate up to 40% of the equity interest in Huarui Asset Management by delivering to the Vendor a written option exercise notice.

The consideration for the Option Interest shall be payable by the Purchaser to the Vendor in RMB in cash at the relevant completion date and shall be calculated as follows:

$$\text{Consideration for the Option Interest} = A \times 90\%$$

where:

A = the fair value of the Option Interest as at the date being one month immediately preceding the date of the relevant option exercise notice, which shall be arrived at with reference to valuation of the Retail Property by an independent property valuer to be appointed by the Purchaser and agreed to by the Vendor.

We are advised by the Group's management that the terms of the Call Option (including the 10% discount adopted in the formula) was determined through normal commercial negotiations between the Vendor and the Purchaser at arm's length. Having considered that the terms of the Call Option, i.e. providing a 10% discount to the prevailing fair value of the property at the time of exercise of the Call Option, are normal commercial terms which benefit the option holder, i.e. the Purchaser, we consider the terms thereof are fair and reasonable.

Based on the appraised value of the Retail Property of approximately RMB2,910,000,000 (approximately HK\$3,303,065,000) as stated in the Property Valuation, the value of the Retail Property attributable to the entire Option Interest (representing 40% of the equity interest in Huarui Asset Management) is approximately RMB1,164,000,000 (approximately HK\$1,321,226,000). On the assumption that (i) the Property Valuation is to be adopted for the purpose of calculating the exercise price of the Call Option as per the formula stated above; and (ii) the Call Option is to be exercised in full, the exercise price of the Call Option is expected to amount to approximately RMB1,047,600,000 (approximately HK\$1,189,103,000), an amount which is approximately RMB116,400,000 (approximately HK\$132,123,000) lower than the expected fair value of the Retail Property attributable to the entire Option Interest (the "**Expected Call Option Gain**"). The Group's management has indicated to us that, subject to factors such as the prevailing market condition in Liaoning, the operations of the Retail Property, the Group's internal resources and the Group's financing needs, etc., the Group currently intends to exercise the Call Option in full within 2 years from the Completion Date. Accordingly, the Group's management expects that the Group will be able to enjoy the benefits of exercising the Call Option including the Expected Call Option Gain.

LETTER FROM AMPLE CAPITAL

4.4 Conclusion regarding the Acquisition Agreement

In drawing our conclusion regarding the terms of the Acquisition Agreement, we note that (i) as stated in the Board Letter, the Call Option is an integral part of the Acquisition; (ii) any option or right (including the Call Option), regardless of whether the option or right is ultimately exercised or not, has a value to the holder of the option or right which must be taken into consideration; (iii) the right to exercise the Call Option is vested in the Purchaser and the Board Letter states that the Group currently intends to exercise the Call Option in full within 2 years after the Completion Date; and (iv) it is stated in the Board Letter that the Company will comply with the relevant requirements under the Listing Rules including, depending on the then financial position of the Group and Huarui Asset Management, obtaining independent shareholders' approval as appropriate in the event that the Purchaser exercises the Call Option, and the Group's management consider that any informed and rational Shareholder will likely approve the exercise of the Call Option, the exercise price of which is at a 10% discount to the fair value of the Option Interest. Furthermore, the Board Letter states that the Company considers that the Acquisition Agreement (including the Call Option) provides a means to allow the Company to own up to 100% interest in Huarui Asset Management, and therefore, the Call Option is valuable as it provides a good investment opportunity to acquire additional interest in the Retail Property at 10% discount based on the fair value of the Option Interest. Based on the above, we consider that the Call Option should be considered together with the terms of the Acquisition in the determination of the fairness and reasonableness of the Consideration.

In return for the consideration of RMB285,247,396.48 (approximately HK\$323,755,795) for the Sale Share, the Group can essentially receive (i) the Attributable Adjusted NAV in the amount of approximately RMB162,114,000 (approximately HK\$184,011,000); and (ii) the Expected Call Option Gain of approximately RMB116,400,000 (approximately HK\$132,123,000). Accordingly, the total value to the Group generated through the Acquisition Agreement (the "**Total Value**") is approximately RMB278,514,000 (approximately HK\$316,134,000) after aggregating the Attributable Adjusted NAV and the Expected Call Option Gain. The Sale Share consideration therefore represents an approximately 2.42% premium to the Total Value. Based on the factors as discussed in section 3.2 of this letter including the increasing trend of selling price of commercial properties in Liaoning, we believe that value of commercial properties in Liaoning such as the Retail Property may increase during the expected life of the Call Option. Accordingly, we believe the "fair value of the Option Interest" as referred to under variable "A" in the formula for the calculation of the exercise of the Call Option may be higher than the valuation set out in the Property Valuation used for the purpose of determining the Expected Call Option Gain. If this indeed materializes, the minor premium of the Sale Share consideration to the Total Value may be offset and become a discount instead.

LETTER FROM AMPLE CAPITAL

The consideration of RMB19,752,603.52 (approximately HK\$22,419,205) for the Loan transfers the title of the Loan in the amount of US\$2,874,257 (approximately HK\$22,419,205) to the Purchaser on a dollar-to-dollar basis.

With regard to the Call Option, we note that (i) as stated in the Board Letter the Company currently intends to exercise the Call Option entirely within 2 years after the Completion Date; (ii) the exercise price of the Call Option is effectively at a 10% discount to the then fair value of the Option Interest therefore benefiting the Group; (iii) the Call Option (together with the first right of refusal in respect of the Vendor's disposal of her direct or indirect interest in Huarui Asset Management which has been granted by the Vendor to the Purchaser pursuant to the Acquisition Agreement) provides the Purchaser the right to acquire further interests in Huarui Asset Management at its own discretion; and (iv) the Call Option can be exercised multiple times which gives the Purchaser additional flexibility after considering its own requirements.

Having considered the factors discussed above, we consider that the terms of the Acquisition Agreement (including the Consideration and the Call Option), are fair and reasonable.

5. Financial effects of the Acquisition

5.1 Earnings

As stated in the Interim Report, the Group generated unaudited profit attributable to Shareholders of approximately HK\$177,264,000 in the six months ended 30 June 2009. Since Huarui Asset Management recorded losses during the two years ended 31 December 2008 and 2009 and the operation of the Retail Property was at an early stage during the year ended 31 December 2009 as per the Group's management, it is expected that the Acquisition will not generate any positive impact on the Group's earnings until the operation of the Retail Property becomes profitable.

5.2 Net asset value

As stated in the Interim Report, the Group had unaudited net assets attributable to Shareholders of approximately HK\$6,768,071,000 as at 30 June 2009. As mentioned in section 2 of this letter, Huarui Asset Management had unaudited net asset value of approximately RMB138,129,000 (approximately HK\$156,787,000) as at 31 December 2009. It is further discussed in section 4.2 of this letter that the Attributable Adjusted NAV is approximately RMB162,114,000 (approximately HK\$184,011,000). We also understand the Call Option is, subject to auditors' review, expected to be included in the Group's books as a financial asset, the value of which is to be determined as per valuation by a qualified valuer. If the Consideration is less than the combined value of the Attributable Adjusted NAV and the valuation of the Call Option, the Group's net assets is expected to increase, and vice versa.

LETTER FROM AMPLE CAPITAL

5.3 Gearing

According to the Interim Report, the Group had unaudited total debts of approximately HK\$6,429,683,000 (comprising (i) interest-bearing bank and other borrowings (non-current portion) of approximately HK\$2,919,399,000; (ii) guaranteed notes of approximately HK\$1,562,594,000; (iii) interest-bearing bank and other borrowings (current portion) of approximately HK\$1,836,342,000; (iv) convertible bonds – host debts of approximately HK\$34,197,000; and (v) derivative financial liabilities of approximately HK\$77,151,000) as at 30 June 2009. In addition, the Group had unaudited total assets of approximately HK\$22,455,619,000 as at 30 June 2009. Accordingly, the Group's gearing ratio (total debts/total assets x 100%) was approximately 28.63% as at 30 June 2009. As the Consideration of RMB305,000,000 (approximately HK\$346,000,000), the total assets attributable to the Acquisition and the debts attributable to the Acquisition are relatively insignificant compared to the Group's total assets and total debts, it is expected that the Acquisition will not result in any material impact on the Group's gearing position.

5.4 Liquidity

As per the Interim Report, the Company had unaudited current assets and unaudited current liabilities of approximately HK\$12,978,282,000 and HK\$8,402,406,000 respectively as at 30 June 2009, translating into a current ratio (current assets/current liabilities) of approximately 1.54. The payment of the Consideration of RMB305,000,000 (approximately HK\$346,000,000) by cash (a current asset) upon Completion is not expected to materially impact the Group's liquidity.

It should be noted that the aforementioned analysis is for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

CONCLUSION

Having considered the above principal factors, we are of the opinion that the terms of the Acquisition (including the Consideration and the Call Option) are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, we consider that the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution(s) to approve the Acquisition at the SGM.

Yours faithfully,
For and on behalf of
Ample Capital Limited
H. W. Tang
President

APPENDIX I VALUATION REPORT OF THE RETAIL PROPERTY

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 December 2009 of the property interest to be acquired by the Group.



Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

10 March 2010

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

Dear Sirs,

Pursuant to a proposed Acquisition Agreement, Sinopower Investment Limited, as a wholly-owned subsidiary of SRE Group Limited (the "Company"), conditionally agreed to purchase the entire issued share capital and relevant loan of Big Prime Limited from Md. Li De E (the "Vendor"). As the completion conditions of the aforesaid acquisition, Better Capital Limited as a wholly-owned subsidiary of Big Prime Limited shall acquire 9% equity interest in Shenyang Huarui Shiji Asset Management Limited ("Huarui Asset Management", hereinafter together with the Company refer to as the "Group"), which is currently a 51% interest owned subsidiary of the Company, from Perfect Media Holdings Limited which is a wholly-owned company of the Vendor. The Vendor currently holds 49% equity interest of Huarui Asset Management through her 100% interest in Gao Feng Limited and thus is a connected person of the Company.

In accordance with your instructions to value the property in which Huarui Asset Management has interest in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interest as at 31 December 2009 (the "date of valuation").

Our valuation of the property interest represents the market value which we would define as intended to mean "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".

We have valued the property interest by income approach by taking into account the rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases,

APPENDIX I VALUATION REPORT OF THE RETAIL PROPERTY

which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

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

In addition, no account has been taken of any option or right of pre-emption concerning or affecting sale of the property and no forced sale situation in any manner is assumed in our valuation. Our valuation has been made on the assumption that the occupancy rate of the property could be stabilized within three years and the rentals of leases will not be materially different from the existing market condition.

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

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

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

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

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

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

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

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

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

APPENDIX I VALUATION REPORT OF THE RETAIL PROPERTY

VALUATION CERTIFICATE

Property interest held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2009 RMB																										
Rich Gate Shopping Mall No. 118 Harbin Road Shenhe District Shenyang City Liaoning Province The PRC	<p>Rich Gate (the “Development”) is a large-scale complex with residential development, office tower, hotel, shopping mall and car-parking facilities.</p> <p>The Development comprises 3 blocks of high-rise residential buildings, an office tower, a hotel and a shopping mall plus two levels of basement, all of which were completed in 2008.</p> <p>The property, named Rich Gate Shopping Mall, is the aforesaid shopping mall plus two levels of basement of the Development, comprising Basements 1 to 2 and Levels 1 to 5, having a combined total gross floor area of approximately 245,252 sq.m.</p> <p>As advised by the Group, the relevant gross floor area (“GFA”) and lettable area of each floor of the property for commercial use are set out as follows:</p>	<p>As at the date of valuation, various portions of the property with a total lettable area of approximately 58,062.37 sq.m. are currently leased to various tenants mainly for retail, restaurant and cinema uses.</p> <p>The remaining portions of the property with a total lettable area of approximately 63,198.63 sq.m are currently vacant and available for lease.</p>	<p>2,910,000,000</p> <p>51% interest attributable to the Group: RMB1,484,100,000</p>																										
	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Level</th> <th style="text-align: center;">Total GFA Area (sq.m.)</th> <th style="text-align: center;">Lettable Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>B2</td> <td style="text-align: center;">42,471</td> <td style="text-align: center;">708(1ot)</td> </tr> <tr> <td>B1</td> <td style="text-align: center;">38,900</td> <td style="text-align: center;">22,635</td> </tr> <tr> <td>F1</td> <td style="text-align: center;">32,990</td> <td style="text-align: center;">17,308</td> </tr> <tr> <td>F2</td> <td style="text-align: center;">32,876</td> <td style="text-align: center;">19,745</td> </tr> <tr> <td>F3</td> <td style="text-align: center;">32,885</td> <td style="text-align: center;">21,557</td> </tr> <tr> <td>F4</td> <td style="text-align: center;">32,680</td> <td style="text-align: center;">20,789</td> </tr> <tr> <td>F5</td> <td style="text-align: center;">32,450</td> <td style="text-align: center;">19,227</td> </tr> <tr> <td>Total:</td> <td style="text-align: center;"><u>245,252</u></td> <td style="text-align: center;"><u>121,261</u></td> </tr> </tbody> </table>	Level	Total GFA Area (sq.m.)	Lettable Area (sq.m.)	B2	42,471	708(1ot)	B1	38,900	22,635	F1	32,990	17,308	F2	32,876	19,745	F3	32,885	21,557	F4	32,680	20,789	F5	32,450	19,227	Total:	<u>245,252</u>	<u>121,261</u>	
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APPENDIX I VALUATION REPORT OF THE RETAIL PROPERTY

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2009 RMB
	<p>Basement Level 2 of the property includes 708 car parking lots. There are also 120 open space car parking lots situated at the first floor.</p> <p>The land use rights of the property have been granted for a term expiring on 9 June 2045 for commercial use.</p>		

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Shenyang Guo Yong (2008) No. SH00674, the land use rights of the property with an apportioned land area of approximately 28,520.30 sq.m. have been granted to Huarui Asset Management for a term expiring on 9 June 2045 for commercial use.
2. Pursuant to a Building Ownership Certificate – Shen Fang Quan Zheng Shi Shen He Zi Di No. 12361, the property with a total gross floor area of approximately 245,252 sq.m. is owned by Huarui Asset Management.
3. Pursuant to a Tenancy Agreement entered into between Huarui Asset Management and Shenyang Huarui Commercial Development Management Co., Ltd. (瀋陽華銳商業管理發展有限公司), “Shenyang Huarui Commercial Development”, a wholly-owned subsidiary of Huarui Asset Management, the property is rented to Shenyang Huarui Commercial Development for a term commencing from 9 April 2009 and expiring on 8 April 2010. Shenyang Huarui Commercial Development has the whole use rights of the property and can legally sublease the property. The total annual rent is approximately RMB45,000,000. As advised by the Group, the Tenancy Agreement will be renewed annually.
4. As advised by the Group, various portions of the property with a total lettable area of approximately 58,062.37 sq.m. are leased by Shenyang Huarui Commercial Development to various tenants with the expiry dates between 31 December 2009 and 9 April 2025 at an average monthly rental income of approximately RMB1,900,000 in 2009 exclusive of management fees, water and electricity charges. The estimated monthly market rental assuming the property was fully leased on the date of valuation is in the range of approximately RMB12 million to RMB13 million exclusive of management fees, water and electricity charges.
5. Pursuant to a Mortgage Agreement dated 20 December 2009 entered into between Agriculture Bank of China – Liaoning Branch and Huarui Asset Management, the property was pledged as a security to secure a loan from the bank to 瀋陽綠康置業有限公司, a wholly-owned subsidiary of the Company in the amount of RMB200,000,000.
6. Pursuant to a Fixed Assets Loan Agreement and a Mortgage Agreement dated 11 December 2007, the buildings (including the property) with a total gross floor area of approximately 301,228.12 sq.m, located at Nos. 118 and 128 Harbin Road, Shenhe District, were previously pledged as security to secure a loan facility of RMB500,000,000 granted by Agriculture Bank of China Shenyang Binhe Branch (the “Bank”) to Huarui Asset Management. Pursuant to a Consent of Change of Real Estate Mortgage Agreement entered into between the Bank and Huarui Asset Management, both parties agreed:
 - a. to change the pledged property from Basement Level 2 to Level 28 of Nos.118 and 128 Harbin Road, Shenhe District to Basement Level 2 to Level 5 of No. 118 Harbin Road, Shenhe District; and
 - b. to change the pledged area from 301,228.12 sq.m. to 245,252 sq.m.

APPENDIX I VALUATION REPORT OF THE RETAIL PROPERTY

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. During the development period of the property, all land premium has been settled in full and the State-owned Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and the Memorandum on Completion of Construction Work in Liaoning Province, which are legally valid, have been obtained. The existing commercial use of the property is in compliance with the planned use;
 - b. Huarui Asset Management has obtained the Land Use Rights Certificate and Building Ownership Certificate of the property;
 - c. Huarui Asset Management, as the owner of the property, has the rights to lease the property to Shenyang Huarui Commercial Development. Shenyang Huarui Commercial Development has the rights of preemption to purchase the property on the same terms when Huarui Asset Management disposes of the property; and
 - d. The property was subject to mortgage as at 31 December 2009 and upon obtaining the approval of the mortgagee, there is no legal impediment in the transfer of the property in the open market.

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 and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, to be notified to the Company and Stock Exchange, 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%

Notes:

- These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.
- These Shares comprise of 1,098,400,938 Shares (representing approximately 30.48% of the total issued share capital as at the Latest Practicable Date) held by SRE Investment and 150,000,000 Shares (representing approximately 4.16% of the total issued share capital as at the Latest Practicable Date) lent by SRE Investment pursuant to two stock borrow agreements both dated 29 June 2009, of which 75,000,000 Shares were lent to Credit Suisse Securities (Europe) Limited and 75,000,000 Shares were lent to Deutsche Bank AG, London branch. Mr. Shi Jian and his spouse, Md. Si Xiao Dong together beneficially own 63% of the issued share capital of SRE Investment. 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, other relatives of Mr. Shi Jian and/or Md. Si Xiao Dong and unrelated parties.

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 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 referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules to be notified to the Company and the Stock Exchange.

- (b) So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) or corporations had an interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of issued ordinary shares held <i>(Note 1)</i>	Approximate percentage of total issued share capital
Si Xiao Dong	Beneficial owner, spouse and corporate interest	1,250,480,045 (L) <i>(Note 2)</i>	34.70%
SRE Investment	Beneficial owner	1,248,400,938 (L)	34.64%
Deutsche Bank Aktiengesellschaft	Beneficial owner and person having a security interest in shares	318,249,535 (L) 120,682,000 (S)	8.83% 3.35%

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 which SRE Investment is interested in. Such 1,248,400,938 Shares comprise of 1,098,400,938 Shares held by the SRE Investment and 150,000,000 Shares lent by SRE Investment pursuant to two stock borrow agreements both dated 29 June 2009, of which 75,000,000 Shares were lent to Credit Suisse Securities (Europe) Limited and 75,000,000 Shares were lent to Deutsche Bank AG, London branch.

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.

- (c) As at the Latest Practicable Date, so far as was known to the Directors, the following Directors are also directors or employees of SRE Investment:

Name of Director	Position held in SRE Investment
Mr. Shi Jian	director
Mr. Li Yao Min	director

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 1st supplemental contract dated 19 January 2009 and 2nd supplemental contract dated 11 January 2010	1 July 2007 to 30 June 2010	HK\$2,000,000 per annum, but HK\$1,500,000 for the period from 1 January 2009 to 31 December 2009	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

Name of Director	Date of service contract(s)	Term	Fixed annual remuneration	Termination notice period/ payment in lieu of notice
Yu Hai Sheng	1 July 2007, with 1st supplemental contract dated 19 January 2009 and 2nd supplemental contract dated 11 January 2010	1 July 2007 to 30 June 2010	HK\$2,500,000 per annum, but HK\$2,000,000 for the period from 1 January 2009 to 31 December 2009	6 months' notice/ 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 with supplemental contract dated 6 January 2010	1 July 2008 to 30 June 2010	HK\$330,000 per annum, but HK\$360,000 per annum for the period from 1 January 2010 to 30 June 2010	1 month's notice/ payment in lieu of notice
<i>Independent non-executive Directors</i>				
Jiang Xie Fu	1 July 2008 with supplemental contract dated 6 January 2010	1 July 2008 to 30 June 2010	HK\$240,000 per annum, but HK\$330,000 per annum for the period from 1 January 2010 to 30 June 2010	1 month's 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
E Hock Yap	1 July 2008 with supplemental contract dated 6 January 2010	1 July 2008 to 30 June 2010	HK\$220,000 per annum, but HK\$330,000 per annum for the period from 1 January 2010 to 30 June 2010	1 month's notice/ payment in lieu of notice
Pan 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 relevant member of the Group within one year without payment of compensation, other than statutory compensation).

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests 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.

6. DIRECTORS' INTEREST IN CONTRACTS

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of 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 Group were made up).

8. QUALIFICATIONS AND CONSENTS OF EXPERTS

- (a) The following are the qualifications of the experts who have given opinion or advice which is contained or referred to in this circular:

Name	Qualification
Ample Capital Limited	a corporation licensed to carry out type 4 (advising in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Jones Lang LaSalle Sallmanns Limited	Property valuer
Yan Yiming Law Firm	PRC legal advisers

- (b) As at the Latest Practicable Date, none of Ample Capital, Jones Lang LaSalle Sallmanns or Yan Yiming Law Firm had any direct or indirect shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- (c) As at the Latest Practicable Date, none of Ample Capital, Jones Lang LaSalle Sallmanns or Yan Yiming Law Firm had any direct or indirect interests 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.
- (d) Each of Ample Capital, Jones Lang LaSalle Sallmanns or 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, reports, valuation certificates and/or opinions (as the case may be) and references to its name in the form and context in which it is included.

9. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its Hong Kong office is situated at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (b) The Company's branch registrar and transfer office in Hong Kong is Tricor Tengis Limited situated 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. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Acquisition Agreement will be available for inspection 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 during normal business hours on any weekday, except public holidays from the date of this circular up to and including Monday, 29 March 2010.

NOTICE OF SGM



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 Monday, 29 March, 2010 at 3:00 p.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the sale and purchase agreement dated 10 February 2009 entered into between Md. Li De E as vendor and Sinopower Investment Limited as purchaser (the “Acquisition 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) for the sale and purchase of the Sale Share and the Loan (both as defined in the circular of the Company dated 10 March 2010, 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 thereunder or in connection therewith 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 other person authorized by the board of directors 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 and do all such acts and things as he or she or they may in his or her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Acquisition Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection with the Acquisition Agreement and/or any further agreement or document as mentioned in paragraph (a) of this resolution and/or the transactions contemplated thereunder and all other matters incidental thereto, including agreeing and making any modifications, amendments, waivers, variations or

NOTICE OF SGM

extensions of the Acquisition Agreement and/or any further agreement or document as mentioned in paragraph (a) of this resolution and/or the transactions contemplated thereunder.”

By order of the Board
SRE Group Limited
Shi Jian
Chairman

Hong Kong, 10 March 2010

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 registrar, 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 resolution as set out above will be voted by way of a poll.
- (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.