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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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.

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**MAJOR TRANSACTION  
IN RELATION TO THE DISPOSAL OF  
AN INVESTMENT PROPERTY THROUGH THE SALE OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
GO HIGH INVESTMENTS LIMITED**

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\* For identification purpose only

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Appendix I – Financial information of the Group</b> .....	I-1
<b>Appendix II – Valuation report on the Property</b> .....	II-1
<b>Appendix III – General information</b> .....	III-1

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## DEFINITIONS

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

“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 Sale and Purchase Agreement
“Completion Date”	date of the Completion
“Consideration”	the consideration of RMB378,573,000 (subject to adjustment) to be satisfied by the Purchaser for the acquisition of the Sale Share under the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Go High”	Go High Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Go High Group”	Go High and Shanghai Huajian
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	5 June 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	上海華府天地商鋪 (Shanghai Rich Gate Retail Shops*), the retail units situated in level 1 to 2 and basement 1 located at number 1 to 6 of Lane 222, Madang Road, Shanghai, the PRC with a total gross floor area of approximately 11,330 square metres

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## DEFINITIONS

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“Purchaser”	Lotus Holding Company, Ltd., a company incorporated in Cayman Islands with limited liability
“Sale and Purchase Agreement”	the agreement, dated 18 May 2012, entered into between the Vendor, the Purchaser and the Company in relation to the sale and purchase of the Sale Share
“Sale Share(s)”	the one share in the issued share capital of Go High, representing the entire issued share capital of Go High as at the date of the Sale and Purchase Agreement and the Additional Shares to be issued pursuant to the Sale and Purchase Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shanghai Huajian”	上海華建商業管理有限公司 (Shanghai Huajian Commercial Management Company Limited*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Go High
“SRE Investment”	SRE Investment Holding Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation”	valuation of the Property as at 30 April 2012 prepared by the Valuer
“Valuer” or “Jones Lang Lasalle”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer
“Vendor”	Golden Bright Resources Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	the lawful currency of the United States of America
“%”	per cent.

\* for identification purpose only

*For the purpose of this circular, the conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.23 to RMB 1 for illustration purpose only.*

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## LETTER FROM THE BOARD

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### 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  
Mr. Yu Hai Sheng (*Co-Chairman & Chief Executive Officer*)  
Mr. Jiang Xu Dong (*Vice-Chairman & Chief Operation Officer*)  
Mr. Shi Pin Ren  
Mr. Zhang Hong Fei  
Mr. Shi Li Zhou

*Non-executive Directors:*

Mr. Cheung Wing Yui  
Mr. Jin Bing Rong

*Independent non-executive Directors:*

Mr. Jiang Xie Fu  
Mr. Zhuo Fu Min  
Mr. Yuan Pu

*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

8 June 2012

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO THE DISPOSAL OF  
AN INVESTMENT PROPERTY THROUGH THE SALE OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
GO HIGH INVESTMENTS LIMITED**

**INTRODUCTION**

On 18 May 2012, the Vendor, a wholly-owned subsidiary of the Company, the Company and the Purchaser entered into the Sale and Purchase Agreement and pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Go High.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement; (ii) the valuation report on the Property prepared by the Valuer; and (iii) other disclosure requirements under the Listing Rules.

### **PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT**

#### **Date**

18 May 2012

#### **Parties**

- (i) Golden Bright Resources Limited (an indirect wholly-owned subsidiary of the Company) as the vendor;
- (ii) Lotus Holding Company, Ltd. as the purchaser; and
- (iii) the Company, as the guarantor of the Vendor.

The Purchaser is a company incorporated in Cayman Islands with limited liability and is principally engaged in investment holding. To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

#### **Subject matter**

Pursuant to the terms of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of Go High as at the date of the Sale and Purchase Agreement and Go High in turn owns the Property through its entire equity interest in Shanghai Huajian. The Property, 上海華府天地商舖 (Shanghai Rich Gate Retail Shops\*), comprises the retail units situated in level 1 to 2 and basement 1 located at number 1 to 6 of Lane 222, Madang Road, Shanghai, the PRC. The Property has a total gross floor area of approximately 11,330 square metres with an estimated value agreed by the Vendor and the Purchaser of approximately RMB1,075.50 million.

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## LETTER FROM THE BOARD

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### Consideration

The Consideration was arrived at after arm's length negotiation among the parties to the Sale and Purchase Agreement based on the estimated value of the Property of approximately RMB1,075.5 million agreed by the Vendor and the Purchaser; less (i) the adjusted net liabilities of Shanghai Huajian of approximately RMB546.9 million as at 31 January 2012 (comprising the unaudited net asset value of Shanghai Huajian of approximately RMB365.2 million, less the carrying value of the Property of approximately RMB234.0 million, the receivable due from the Group of approximately RMB678.1 million as at 31 January 2012); and (ii) the Adjusted Go High Net Liabilities of approximately RMB150 million as at 31 January 2012 (as detailed below).

The final Consideration is subject to adjustments with reference to the audited assets and liabilities of Go High and Shanghai Huajian as at the Completion Date.

The Consideration for the Disposal is RMB378,573,000 which will be settled in USD (based on the exchange rate of USD1.00 for RMB6.3209) and is payable as to:

- (i) RMB352,144,350 on the Completion Date; and
- (ii) the remaining balance of the Consideration of RMB26,428,650 by the end of the third month following the Completion Date.

### Major conditions

Completion of the Sale and Purchase Agreement is conditional upon fulfillment of, among other things, the following conditions:

- (i) the passing of the relevant resolutions regarding the entering into of the Sale and Purchase Agreement by the board of directors of the Purchaser;
- (ii) the signing of the relevant instrument of transfer by the Purchaser relating to the Sale Share;
- (iii) the warranties and representations given by the Purchaser under the Sale and Purchase Agreement remaining true, accurate and not misleading in all material aspects;
- (iv) the passing of the relevant resolutions regarding the entering into of the Sale and Purchase Agreement by the board of directors of the Vendor;
- (v) Go High having converted part of its shareholder's loan provided by the Vendor (the "Shareholder's Loan", the balance of which amounted to HK\$351,614,000 as at 31 January 2012) of HK\$167,114,000 into 167,114,000 ordinary shares (the "Additional Shares") of HK\$1 each in the share capital of Go High and the Vendor having provided the relevant evidence to the Purchaser that the Vendor is the sole holder of the Additional Shares;

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## LETTER FROM THE BOARD

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- (vi) the place of registration of Shanghai Huajian having been changed from Shenyang to Shanghai and all the relevant updated licenses and certificates, including but not limited to, business license, foreign exchange registration certificate, tax certificates and other licenses/permits of Shanghai Huajian having been obtained from the respective government authorities in the PRC;
- (vii) the Purchaser having completed the due diligence review on Go High, Shanghai Huajian and the Property and having been reasonably satisfied with the results on such due diligence review;
- (viii) the Vendor having procured:
  - the re-financing of Shanghai Huajian’s existing bank loans from a bank designated by the Purchaser; and
  - the financing arrangement of HK\$184,500,000 from a financial institution designated by Go High to repay the remaining balance of the Shareholder’s Loan (after the capitalisation as described in (v) above);
- (ix) the Company having provided to the Purchaser the relevant internal approval documents for its entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the announcement, the circular and the shareholder approval of the Company as required under the relevant rules and regulation;
- (x) the warranties and representations given by the Vendor and the Company under the Sale and Purchase Agreement remaining true, accurate and not misleading in all material aspects;
- (xi) there being no material adverse changes in the Company, Go High, Shanghai Huajian and the Property; and
- (xii) the Vendor having obtained/procured the relevant confirmations, consents and agreements (as the case may be).

Save for the conditions (i), (ii) and (iii), the Purchaser shall have the right to waive all or part of the conditions precedent set out in the Sale and Purchase Agreement by giving written notice to the Vendor. Both the Vendor and the Purchaser shall fulfill or procure to fulfill the conditions set out in the Sale and Purchase Agreement on or before the tenth business day prior to 15 July 2012 (or such other date as may be agreed amongst the parties to the Sale and Purchase Agreement from time to time).

As at the Latest Practicable Date, conditions (i), (iv), (vi), (vii) and (ix) have been fulfilled.



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## LETTER FROM THE BOARD

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### **Completion**

Completion shall take place within five business days when the conditions set out in the Sale and Purchase Agreement have been either fulfilled or waived. The Completion shall be confirmed by written notice between the Vendor and the Purchaser. Upon Completion, the Group will no longer have any interest in Go High and Shanghai Huajian and they will cease to be subsidiaries of the Company.

### **Guarantee**

The Company, as the guarantor under the Sale and Purchase Agreement, has provided guarantee for the performance and obligations of the Vendor under the Sale and Purchase Agreement.

### **INFORMATION ON GO HIGH, SHANGHAI HUAJIAN AND THE PROPERTY**

Go High, an indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding. The principal asset of Go High is its equity interest in Shanghai Huajian. According to the unaudited financial statements of Go High prepared in accordance with the generally accepted accounting principles of Hong Kong, Go High recorded unaudited net loss before and after taxation of approximately HK\$12,000 and HK\$7,000 for the two years ended 31 December 2010 and 2011 respectively. As at 31 December 2011 and 31 January 2012, the unaudited net liabilities value of Go High amounted to approximately HK\$35,000 and HK\$29,000, respectively.

Go High's investment in Shanghai Huajian is primarily financed by the Group in the form of shareholder's loan which amounted to approximately HK\$351.6 million as at 31 January 2012. Taking into account the capitalisation of approximately HK\$167.1 million as required under the Sale and Purchase Agreement and excluding its investment in Shanghai Huajian of HK\$351.6 million, Go High will have a net liabilities of approximately HK\$184.5 million (equivalent to approximately RMB150.0 million) ("Adjusted Go High Net Liabilities").

Shanghai Huajian is a wholly-owned subsidiary of Go High and is principally engaged in property leasing, management and consulting service in the PRC. The principal asset of Shanghai Huajian is the Property which comprises the retail units situated in level 1 to 2 and basement 1 located at number 1 to 6 of Lane 222, Madang Road, Shanghai, the PRC. The Property has a total gross floor area of approximately 11,330 square metres with an estimated value agreed by the Vendor and the Purchaser of approximately RMB1,075.50 million.

According to the audited financial statements of Shanghai Huajian prepared under the PRC accounting standards, Shanghai Huajian recorded (i) net profit before taxation of approximately RMB6.76 million and RMB2.51 million for the two years ended 31 December 2010 and 2011 respectively; and (ii) net profit after taxation of approximately RMB5.96 million and RMB1.88 million for the two years ended 31 December 2010 and 2011 respectively. As at 31 December 2011, the audited net assets value of Shanghai Huajian amounted to approximately RMB368.30 million.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SALE AND PURCHASE AGREEMENT

The Group is an integrated property developer and is principally engaged in the development and sale of residential and commercial properties in Shanghai, Shenyang, Haikou, Wuxi and Chengdu, the PRC, with a specific focus on the middle- to high-end residential properties. As an integrated property developer with a number of properties projects at their different stages of development, the Directors have considered that it is important for the Group to optimise its resources to enhance the overall return to the Shareholders. Having considered that (i) the estimated net proceeds from the Disposal (after deducting the relevant fees and expenses) of approximately RMB377.7 million and the repayment of the remaining balance of the Shareholder's Loan upon Completion of HK\$184.5 million (equivalent to approximately RMB150.0 million) will be applied as general working capital of the Group; (ii) the Disposal will allow the Group to realise its investment in the Property at a gain; (iii) the decline in audited net profit after taxation of Shanghai Huajian from approximately RMB5.96 million for the year ended 31 December 2010 to approximately RMB1.88 million for the year ended 31 December 2011; and (iv) the estimated value of the Property agreed by the Vendor and the Purchaser is close to the Valuation (which is prepared by the Valuer following the entering into of the Sale and Purchase Agreement by the Group and the Purchaser), the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interest of the Company and Shareholders as a whole.

### FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, Go High and Shanghai Huajian will cease to be subsidiaries of the Company and the Group will no longer have any interest in Go High and Shanghai Huajian. Therefore, the (i) financial results; and (ii) the assets and liabilities of Go High and Shanghai Huajian will cease to be consolidated in the financial statements of the Group.

Based on the Consideration, the adjusted consolidated net assets value of Go High Group of approximately RMB183.8 million as at 31 January 2012 and the potential tax liabilities of approximately RMB100.2 million that may be incurred in connection with the Disposal, it is estimated that the Group will record a gain on Disposal of approximately RMB94.5 million and the consolidated net assets value of the Group upon Completion is expected to be increased by the same amount. However, the exact financial impact on the Group as a result of the Disposal will be subject to the financial position of Go High and Shanghai Huajian as at the Completion Date.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As the applicable ratios in respect of the Disposal are greater than 25% but less than 75% pursuant to Chapter 14 of the Listing Rules, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Since to the best of the Directors' knowledge and information, and having made all reasonable enquires, no Shareholders have any material interest in the Sale and Purchase Agreement, accordingly, no Shareholders are required to abstain from voting if a general meeting of the Company were to convene to approve the relevant resolution regarding the transactions contemplated under the Sale and Purchase Agreement. The Company has received a written approval from SRE Investment, the controlling Shareholder which holds 2,590,127,604 Shares with voting rights (representing approximately 52.26% of the issued share capital and voting rights of the Company based on the 4,956,624,507 Shares in issue as at the Latest Practicable Date), in connection with the Disposal. Pursuant to Rule 14.44 of the Listing Rules, such written approval from SRE Investment can be accepted in lieu of holding a general meeting for purpose of approving the Disposal.

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

## 1. INDEBTEDNESS

**Borrowings**

As at 30 April 2012, being the latest practicable date for this indebtedness statement, the details of the Group's outstanding borrowings are set out as follows:

		<i>HK\$ million</i>
Bank borrowings – Secured	(a)	5,061
Bank borrowings – Unsecured		25
Other borrowings – Secured	(b)	952
Other borrowings – Unsecured		243
Convertible bonds	(c)	552
Guaranteed senior notes	(d)	<u>554</u>
Current portion		<u>7,387</u>
Bank borrowings – Secured	(a)	7,780
Other borrowings – Secured	(b)	<u>533</u>
Non-current portion		<u>8,313</u>
Total		<u><u>15,700</u></u>

- (a) As at the close of business on 30 April 2012, the Group's bank borrowings of approximately HK\$12,841 million were secured by the pledges of certain bank deposits, leasehold land, investment properties, properties held or under development for sale, property, plant and equipment, part of future property pre-sales proceeds and an equity interest of a subsidiary. In addition, among the above bank borrowings, a bank loan of HK\$124 million was guaranteed by Mr. Shi Jian, the Chairman of the Company, and a bank loan of HK\$260 million was secured by pledges of private property held by Mr. Shi Jian and Md. Si Xiao Dong, the spouse of Mr. Shi Jian.
- (b) As at the close of business on 30 April 2012, the Group's other borrowings of approximately HK\$1,485 million were secured by the pledges of certain leasehold land, properties held or under development for sale and equity interests of certain subsidiaries. In addition, among the above other borrowings, a borrowing of HK\$780 million was guaranteed by Mr. Shi Jian, the Chairman of the Company.
- (c) As at the close of business on 30 April 2012, the principal amount of the Group's outstanding convertible bonds (the "CB") was approximately RMB447 million (equivalent to approximately HK\$552 million). The CB was issued on 23 July 2009, maturing on 23 July 2014, bearing interest at 6% per annum payable semi-annually in arrears, with bondholders' option to convert the CB to ordinary shares of the Company at any time after 41 days from the issue date to 10 business days before its maturity at an initial conversion price of HK\$1.056 per share with a fixed exchange rate applicable to the conversion of RMB0.8818 = HK\$1.00 per ordinary share (subject to certain anti-dilutive adjustments). On 23 July 2012, the bondholders will have the right to require the Company to redeem all or some of the CB at the US Dollar equivalent of 100% of their principal amounts, together with unpaid accrued interests.

- (d) As at the close of business on 30 April 2012, the principal amount of the Group's outstanding guaranteed senior notes (the "Notes") was approximately US\$71 million (equivalent to approximately HK\$554 million). The Notes were issued on 24 April 2006, maturing on 24 April 2013, with an interest rate of 8.625% per annum payable semi-annually in arrears. The Notes were guaranteed by certain subsidiaries of the Company.

### **Contingent liabilities**

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the certain purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end when the purchasers pledge related properties certificates as securities to the banks for the mortgage loans granted by the banks. The Group entered into guarantee contracts of principal amounts totaling approximately HK\$482 million and these contracts were still effective as at the close of business on 30 April 2012.

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payable in the ordinary course of business of the Group, as at the close of business on 30 April 2012, the Group did not have any outstanding indebtedness in respect of any loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchases commitments, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

## **2. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the expected completion of the Disposal and financial resources available to the Group, including (i) the estimated net proceeds from the Disposal; (ii) the proceeds from the repayment of remaining balance of the Shareholder's Loan; and (iii) internally generated funds, the Group will have sufficient working capital for its present requirement for at least the next twelve months from the date of this circular.

## **3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

In the recent years, the Group has continued to strengthen its market position as an integrated real estate developer specializing in property and land development business. With Shanghai remaining to be the base for its real estate business, the Group will continue to be extending its property portfolio to other high-growth markets, including Shenyang, Haikou and Wuxi with strong economic development potential. While the Group continues to be a developer focusing on medium- to high-end residential properties, it targets to build more high-quality commercial properties such as office buildings, hotels and shopping malls, aiming to become a fully integrated trans-regional developer. Upon receipt of the estimated net proceeds from the Disposal and the proceeds from the repayment of the remaining balance of the Shareholder's Loan, the working capital position of the Group will be further enhanced to facilitate the Group's business development strategy.

*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 Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2012 of Shanghai Rich Gate Retail Shops held by Shanghai Huajian Commercial Management Company Limited.*



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Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No: C-030171

8 June 2012

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

Dear Sirs,

On 18 May 2012, Golden Bright Resources Limited, an indirect wholly-owned subsidiary of SRE Group Limited (the “Company”) as the Vendor, the Company as the guarantor of the Vendor and Lotus Holding Company, Ltd. as the Purchaser entered into the Sale and Purchase Agreement and pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Go High Investments Limited (“Go High”), an indirect wholly-owned subsidiary of the Company.

In accordance with your instructions to value 上海華府天地商舖 (“Shanghai Rich Gate Retail Shops”) held by Shanghai Huajian Commercial Management Company Limited (“Shanghai Huajian”), a direct wholly-owned subsidiary of Go High, 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 30 April 2012 (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”.

In valuing the property which is held by Shanghai Huajian for investment purpose, we have adopted the income approach by taking into account the net rental income of the property derived from the existing leases or/and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then

capitalized to determine the market value at appropriate capitalization rates. We have adopted the capitalization rates by reference to the yields of similar properties in the property market in the same city with a range from 6.0% to 6.5%.

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.

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 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

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

We have been shown copies of Real Estate Title Certificates 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.

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.

The site inspection was carried out on 22 May 2012 by Ms. Dase Li and Mr. Sifan Liu. Ms. Dase Li is a China Real Estate Appraiser and Mr. Sifan Liu has 5 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and Shanghai Huajian. We have also sought confirmation from the Company 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 Corporate Appraisal and  
Advisory Limited**  
**Eddie T.W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Associate Director*

*Note: Eddie T.W. Yiu is a Chartered Surveyor who has 18 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.*



## VALUATION CERTIFICATE

## Property interest held by Shanghai Huajian for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 RMB										
Levels 1 to 2 and Basement 1 of Rich Gate Nos. 1 to 6 of Lane 222 Madang Road Shanghai The PRC	<p>The property comprises Levels 1 to 2 and Basement 1 (the retail portion) of three 20/21-storey composite commercial/residential buildings in a development known as Rich Gate completed in about 2006.</p> <p>The property has a total gross floor area of approximately 11,330.31 sq.m., the details of which are set out as follows:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Above ground</td> <td>5,692.38</td> </tr> <tr> <td>Under ground</td> <td>5,014.85</td> </tr> <tr> <td>Common area</td> <td>623.08</td> </tr> <tr> <td><b>Total:</b></td> <td><b><u>11,330.31</u></b></td> </tr> </tbody> </table>	Portion	Gross Floor Area (sq.m.)	Above ground	5,692.38	Under ground	5,014.85	Common area	623.08	<b>Total:</b>	<b><u>11,330.31</u></b>	Portions of the property with a total gross floor area of approximately 10,471.95 sq.m. are currently leased to various parties for retail use (please refer to note 2), whilst the remaining portion is vacant.	1,095,306,000
Portion	Gross Floor Area (sq.m.)												
Above ground	5,692.38												
Under ground	5,014.85												
Common area	623.08												
<b>Total:</b>	<b><u>11,330.31</u></b>												

The land use rights of the property have been granted for a term expiring on 27 February 2072 for residential use.

## Notes:

- Pursuant to 3 Shanghai Real Estate Title Certificates – Hu Fang Di Lu Zi (2007) Nos. 001027 to 001029 dated 9 February 2007, the property with a total gross floor area of approximately 11,330.31 sq.m. is owned by Shenyang Huajian Real Estate Limited (now known as Shanghai Huajian) and the relevant land use rights of a parcel of land on which the property is erected with a site area of approximately 14,651 sq.m. have been granted to Shanghai Huajian for a term expiring on 27 February 2072 for residential use.
- Pursuant to various Tenancy Agreements, portions of the property with a total gross floor area of approximately 10,471.95 sq.m. are rented to various parties for various terms with the expiry dates between 15 August 2012 and 28 February 2017 at a total passing monthly rent of RMB5,778,515 for retail use exclusive of management fee, water and electricity charges.
- As the property contributes a significant portion of revenue of Shanghai Huajian, we are of the view that the property is a material property.

## Details of the material property:

- (a) General description of location of the property : The property is situated at the northern side of Zizhong Road, the eastern side of Danshui Road, the western side of Madang Road and southern side of Xingye Road in Shanghai. The property is the retail portion of a composite development known as Rich Gate.

- (b) Details of encumbrances, liens, pledges, mortgages against the property : The property was mortgaged under the loan obtained by Shanghai Huajian in favour of Bank of China Limited, Luwan Branch for a term commencing from 21 May 2009 and expiring on 21 May 2019.
  - (c) Environmental Issue : No environmental impact assessment has been carried out.
  - (d) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
  - (e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil
4. 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. There is no legal impediment for Shanghai Huajian to change the title registration name of the property from Shenyang Huajian Real Estate Limited to Shanghai Huajian after fulfilling the relevant procedures;
  - b. As of 30 April 2012, the property was subject to a mortgage and the mortgage registration procedure has been finalized. The relevant mortgage contract is binding to the parties hereto;
  - c. The existing retail use of the property complies with the relevant PRC laws; and
  - d. Shanghai Huajian is entitled to transfer, lease and operate the property, except for transfer of the property which shall be subject to prior notice to the mortgagee.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of the Part XV of the SFO) (i) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

#### Long positions in the Shares of the Company

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding (Note 2)
Shi Jian	13,006,991	2,324 (Note 3)	3,266,145,832 (Note 4)	3,279,155,147	57.89%
Li Yao Min	5,172,324	–	–	5,172,324	0.09%
Yu Hai Sheng	6,236,091	–	–	6,236,091	0.11%
Zhuo Fu Min	–	160,000 (Note 5)	–	160,000	0.003%

#### Notes:

- According to the Company's announcement dated 30 April 2012, the Company proposed to issue 708,089,215 new Shares (the "Rights Shares") by way of rights of one Rights Share for every seven Shares at HK\$0.30 per Rights Share (the "Rights Issue"). For details, please refer to the Company's announcement and prospectus dated 30 April 2012 and 21 May 2012, respectively. SRE Investment has irrevocably undertaken to the Company to accept and/or procure the acceptance of 370,018,228 Rights Shares (the "Committed Shares")

2. The percentage shareholding in the Company is calculated by reference to 5,664,713,722 Shares, which comprised 4,956,624,507 Shares in issue as at the Latest Practicable Date and 708,089,215 Rights Shares.
3. These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.
4. These Shares comprised 2,590,127,604 Shares held by SRE Investment, 370,018,228 Committed Shares and 306,000,000 Rights Shares applied in excess of the provisional allotments under the Rights Issues in which SRE Investment is taken to have an interest under the SFO. As Mr. Shi Jian and his spouse, Md. Si Xiao Dong together beneficially own 63% of the issued share capital of SRE Investment, Mr. Shi Jian is therefore taken to be interested in these 3,266,145,832 Shares.
5. These Shares, held by Md. He Pei Pei, the spouse of Mr. Zhuo Fu Min, comprised 140,000 Shares in issue and 20,000 Rights Shares.

**Long position in shares of China New Town Development Company Limited (“CNTD”)**

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	–	–	2,658,781,817 <i>(Note 2)</i>	2,658,781,817	68.07%
Li Yao Min	4,147,500	–	–	4,147,500	0.11%

*Note:*

1. CNTD, an indirect non-wholly owned subsidiary of the Company, is listed on the Singapore Exchange Securities Trading Limited and the Stock Exchange. It is owned as to 68.07% by Sinopower Investment Limited, a wholly-owned subsidiary of the Company.
2. Mr. Shi Jian is deemed to be interested in Sinopower Investment Limited’s entire shareholding in the CNTD by virtue of the fact that he is a controlling Shareholder through SRE Investment.

**Long position in options granted pursuant to the Management Grant of CNTD**

Name of Director	No. of shares exercisable under the Management Grant of CNTD	No. of shares awarded but not yet exercisable under the Management Grant of CNTD	Total	Approximate percentage of shareholding of CNTD
Li Yao Min	–	1,777,500	1,777,500	0.05%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations

(within the meaning of Part XV of the SFO) (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the persons (not being Directors or chief executive of the Company) or companies who had interests or short positions in the Shares or 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, were as follows:

**Long positions and short positions in Shares**

Name of Shareholder	Capacity	Number of issued ordinary shares held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Si Xiao Dong	Beneficial owner, spouse and corporate interest	3,279,155,147 (L) <i>(Note 3)</i>	57.89%
SRE Investment	Beneficial owner	3,266,145,832 (L) <i>(Note 4)</i>	57.66%

*Notes:*

- “L” represents long positions in Shares.
- The percentage shareholding in the Company is calculated by reference to 5,664,713,722 Shares, which comprised 4,956,624,507 Shares in issue as at the Latest Practicable Date and 708,089,215 Rights Shares.
- These Shares comprised 2,324 Shares held by Md. Si Xiao Dong, 13,006,991 Shares held by Mr. Shi Jian and 3,266,145,832 Shares which SRE Investment was interested in. Such 3,266,145,832 Shares comprised 2,590,127,604 Shares held by SRE Investment, 370,018,228 Committee Shares and 306,000,000 Rights Shares applied in excess of the provisional allotments under the Rights Issues, in which SRE Investment is taken to have an interest under the SFO.
- These Shares comprised 2,590,127,604 Shares held by SRE Investment. 370,018,228 Committed Shares and 306,000,000 Rights Shares applied in excess of the provisional allotments under the Rights Issues, in which SRE Investment is taken to have an interest under the SFO.

So far as is known to the Directors, as at the Latest Practicable Date, the following persons and companies (other than Directors or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company):

Name of entity (which is interested in 10% or more interest in any member of the Group)	Name of member of the Group	Approximate percentage of interest held in the member of the Group
1. Shanghai Haizhan Investment & Management Co., Ltd.*	Shanghai Zhufu Property Development Co., Ltd.*	49%
2. Shanghai Great Wall Investment Holding (Group) Co., Ltd.*	Shanghai Skyway Hotel Co., Ltd.*	35%
3. Shanghai Jieyong Asset Management Co., Ltd.*	Shanghai Lushan Real Estate Ltd.*	40.5%
4. Shanghai Shunfu Broadband Network Engineering Co., Ltd.*	Shanghai Lake Malaren Property Management Co., Ltd.*	15%
5. Hainan Guosheng Investment Co., Ltd.*	Haikou Century Harbour City Co., Ltd.*	20%
6. Perfect Media Holdings Limited	Shenyang Huarui Shiji Investment Development Limited*	40%
7. Shanghai Luodian Asset Management & Investment Co., Ltd.*	Shanghai Golden Luodian Development Co., Limited*	27.37%
8. Shenyang Lixiang Dongling State-owned Asset Management Co., Ltd.*	Shenyang Lixiang New Town Development Co., Ltd.*	10%
9. Wuxi New District Municipal Investment and Development Co., Ltd.*	Wuxi Hongshan New Town Development Co., Ltd.*	10%
10. Wuxi New District Municipal Investment and Development Co., Ltd.*	Wuxi Hongshan New Town Virescence Environmental Protection Construction Co., Ltd.*	10%
11. Changchun Kaida Development Co., Ltd.*	Changchun New Town Automobile Industry Construct Co., Ltd.*	20%
12. Shanghai Luodian Tourism Services Development Co. Ltd.*	Shanghai Malaren Tourism Development Co., Ltd.*	10%
13. Eminence Victor Limited	Meredith Land Pty. Ltd.	17%
14. Lucky Charming Enterprises Limited	Anderson Land (Shanghai) Ltd.	48%

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) or corporation who had interests or short positions in the Shares or 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, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, other than contracts expiring or terminable by the Company within one year without payment of compensation other than statutory compensation.

**4. EXPERT AND CONSENT**

The following are the qualifications of the expert who has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Jones Lang LaSalle	Independent valuer

Jones Lang LaSalle has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and references to its names in the form and context in which they appear.

As at the Latest Practicable Date, Jones Lang LaSalle did not have any interest in the share capital of any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**5. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, neither the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**7. DIRECTORS' AND EXPERT'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

- (a) Neither the Directors nor Jones Lang LaSalle had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up.
- (b) As at the Latest Practicable Date, neither the Directors nor Jones Lang LaSalle was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group.

**8. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) The sale and purchase agreement dated 6 December 2010 entered into between Mr. Pau Shing Kwan as the vendor and Sinopower Investment Limited as the purchaser in relation to the sale and purchase of (i) the entire issued share capital of Cheswing Limited (“Cheswing”) and (ii) an interest free shareholder’s loan in the sum of US\$25,799,999 owing by Cheswing to Mr. Pau Shing Kwan at the total consideration of US\$36,000,000.
- (b) The subscription agreement dated 9 December 2010 between SRE Investment and the Company relating to the subscription by SRE Investment of 700,000,000 Shares at the subscription price of HK\$0.81 per Share.
- (c) The convertible note subscription agreement dated 6 May 2011 between the Company as issuer and SRE Investment as the subscriber in relation to the subscription of up to HK\$550,000,000 in aggregate principal amount of 2% convertible bonds of Company due 2016.
- (d) The sale and purchase agreement dated 18 November 2011 entered into between Shanghai Jinmei Construction & Decoration Co., Ltd.\* as vendor and Shenyang Luyi Property Company Limited\*, a wholly-owned subsidiary of the Company as purchaser in relation to the sale and purchase of 7.5% of the entire registered capital of Liaoning High School Support Group Property Development Limited\* at a consideration of RMB185,000,000.
- (e) The conditional underwriting agreement dated 30 April 2012 entered into between the Company and the SRE Investment in relation to the underwriting of the Underwritten Shares and certain other arrangements and obligations in respect of the Rights Issue.
- (f) the Sale and Purchase Agreement.



**9. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its head 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, Share Registration, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Hui Sze Wai, Sylvie who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office of the Company at Room 2501, 25/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 22 June 2012 (being not less than 14 days from the date of this circular):

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;
- (c) the valuation report on the Property prepared by the Valuer, the text of which is set out on pages II-1 to II-5 in this circular;
- (d) the written consent of the expert referred to in the paragraph headed "Expert and consent" in this Appendix;
- (e) the annual reports of the Company and its subsidiaries for the two financial years ended 31 December 2010 and 31 December 2011;
- (f) circulars issued by the Company since 31 December 2011; and
- (g) this circular.

\* *For identification purpose only*