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SRE GROUP LTD.

SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

ANNOUNCEMENT

SIGNING OF TERM SHEET RELATING TO AN ISSUE OF CONVERTIBLE BONDS

The Board announces that the Company had on 8 December 2008 entered into the Term Sheet with Well Fortune whereby the Company and Well Fortune agreed to the principal terms and conditions of the Convertible Bonds.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 8 December 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 9 December 2008.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board announces that the Company has on 8 December 2008 entered into the Term Sheet with Well Fortune whereby the Company and Well Fortune agreed to the principal terms and conditions of the Convertible Bonds. It is intended that the Conversion Shares will be issued and allotted pursuant to the general mandate granted by the Shareholders to the Directors at the annual general meeting held on 21 May 2008.

TERM SHEET

Date: 8 December 2008

Parties: (i) the Company

(ii) Well Fortune, a wholly-owned subsidiary of CITIC Capital China Real Estate Investment Fund III L.P.

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, Well Fortune and its ultimate beneficial owner are independent of and not connected with the directors, chief executive and substantial shareholders of the Company or its subsidiaries, or any of their respective associates (as defined under the Listing Rules)

Subject Matter: The Term Sheet sets out the principal terms and conditions of the Convertible Bonds agreed between the Company and Well Fortune

Termination: The parties to the Term Sheet shall negotiate in good faith and enter into a formal agreement in relation to the Subscription within 5 days from the date of the Term Sheet. In the event that such formal agreement cannot be entered into within the prescribed period, unless both parties to the Term Sheet agree in writing to extend the time limit, the Term Sheet shall be terminated with immediate effect and no party to the Term Sheet shall have any liability to the other party save for antecedent breaches.

Conditions to the Subscription: The Subscription is conditional, among others, to the execution of formal legal documents relating to the Subscription, the completion of due diligence review considered necessary by Well Fortune which results shall have no material deviation from the information and representations provided by the Company.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Issuer:	The Company
Subscriber:	Well Fortune, a wholly-owned subsidiary of CITIC Capital China Real Estate Investment Fund III L.P.
Principal amount:	HK\$165 million
Issue price:	HK\$165 million
Interest:	2.5% per annum
Maturity Date:	5 years from the date of Completion
Redemption price at maturity:	135% of the principal amount of the Convertible Bonds
Conversion rights and Conversion Price:	<p>The Bondholders will have the right to convert the Convertible Bonds into Shares at the initial conversion price of HK\$0.55 per Share.</p> <p>The Conversion Price is determined after arm's length negotiations between the Company and Well Fortune with reference to the market prices of the Shares prior to the date of the Term Sheet.</p>
Adjustment to the Conversion Price:	<p>The Conversion Price will be subject to adjustment for, amongst other things, subdivisions, consolidations or reclassification of Shares, capitalisation of profits or reserves, capital distributions, stock dividends, rights issues and other events which may have a diluting effect on Bondholders.</p> <p>The Conversion Price will also be adjusted for the excess of any cash dividend which, when taken together with other cash dividends in the same fiscal year, exceeds 30% of the consolidated profit for the period for the fiscal year in respect of which the cash dividend is made, calculated by reference to the audited consolidated income statement of the Company for such fiscal year, by multiplying the Conversion Price by a fraction equal to the current market price of a Share excluding the fair market value of the dividend divided by the current market price per Share.</p>

Conversion Shares:	300,000,000 Shares, representing approximately 9.728% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares
Conversion period:	The conversion right may be exercised, at the option of the Bondholder, at any time on or after 90 days from date of Completion until 7 days prior to the Maturity Date
Ranking of the Convertible Bonds:	The Convertible Bonds shall constitute direct, senior, unsubordinated, unconditional and unsecured obligations of the Company.
Redemption at the option of the Bondholders:	The Company will, at the option of the holder of any Bond redeem all or some of such holder's Convertible Bonds (i) on the happening of one or more event of default at the Early Redemption Amount; (ii) on a change of control in the shareholding of the Company or the delisting of the Company on the Stock Exchange at the Early Redemption Amount; or (iii) at any time on the date falling 3 years after the issue of the Convertible Bonds until the Maturity Date at 120% of its principal amount.
Redemption at the option of the Company:	The Company may redeem at any time prior to the Maturity Date all or some of the remaining Convertible Bonds at the Early Redemption Amount, if at least 90% in aggregate principal amount of the Convertible Bonds has already been converted or redeemed.
Guarantee:	The payment and performance obligations of the Company will be unconditionally and irrevocably guaranteed by the Guarantors and any future subsidiaries of the Company (other than those established under the laws of the PRC) on a joint and several basis
Use of proceeds:	The proceeds from the issue of the Convertible Bonds will be applied towards the development of projects of the Company and for working capital purpose

REASONS FOR ENTERING INTO THE TERM SHEET AND THE ISSUE OF THE CONVERTIBLE BONDS

The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding by ushering in an international strategic investor and in the event that the Convertible Bonds are converted into Conversion Shares, the shareholder base of the Company will be enlarged. Besides, both the Company and the investor would like to develop a long term relationship and would continue to explore other areas of co-operation.

The terms and conditions of the Convertible Bonds and the Term Sheet have been arrived at after arm's length negotiations between the Company and Well Fortune, are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Further announcement will be made by the Company upon the signing of the formal agreement in relation to the Subscription.

GENERAL

The Group is an integrated property developer and is principally 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.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds from time to time
“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 Subscription
“Conversion Price”	initially HK\$0.55 per Share
“Conversion Shares”	such new Shares to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	HK\$165 million 2.5% coupon convertible bonds due 2013 convertible into ordinary shares of the Company
“Directors”	the directors of the Company
“Early Redemption Amount”	means an amount in respect of each HK\$100,000 principal amount of the Convertible Bonds representing a gross yield of 15% per annum, calculated on a semi-annual basis up to the redemption date adjusted for interest payments on the Convertible Bonds
“Group”	the Company and its subsidiaries
“Guarantors”	subsidiaries of the Company (other than those established under the laws of the PRC)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Maturity Date”	5 years from the date of Completion
“PRC”	the People’s Republic of China
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bonds by Well Fortune in accordance with the formal bond subscription agreement to be entered into between the Company and Well Fortune
“Term Sheet”	the term sheet dated 8 December 2008 entered into between the Company and Well Fortune whereby the Company and Well Fortune agreed to the principal terms and conditions of the Convertible Bonds
“Well Fortune”	Well Fortune Investments Limited
“%”	per cent.

By Order of the Board
SRE GROUP LIMITED
Shi Jian
Chairman

Hong Kong, 8 December 2008

** For identification purpose only*

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