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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)

**ISSUE OF HK\$165 MILLION 2.5% COUPON CONVERTIBLE BONDS DUE 2013
CONVERTIBLE INTO SHARES OF SRE GROUP LIMITED**

The Board announces that the Company and the Purchasers had on 15 December 2008 entered into the Bond Purchase Agreement whereby the Purchasers agreed to subscribe for the Bonds in the aggregate principal amount of HK\$165 million subject to the terms and conditions of the Bond Purchase Agreement.

The initial Conversion Price of HK\$0.55 represents (i) a premium of approximately 3.77% over the closing price of HK\$0.530 per Share as quoted on the Stock Exchange on 5 December 2008, being the last trading day prior to the suspension in trading of the Shares on the Stock Exchange pending the issue of the announcement relating to the Term Sheet and (ii) a premium of approximately 14.58% over the closing price of HK\$0.480 per Share as quoted on the Stock Exchange on the Last Trading Day. Assuming full conversion of the Bonds at the initial Conversion Price of HK\$0.55 per Share, the Bonds will be convertible into 300,000,000 Conversion Shares, representing approximately 10.78% of the issued share capital of the Company as at the date of the Bond Purchase Agreement and approximately 9.728% of issued share capital of the Company as enlarged by the issue and allotment of such Conversion Shares.

The Bondholders will have the right to convert all or any of their Bonds into Shares at any time after 60 days from the date of the issue of the Bonds up to the close of business on a date no later than 7 business days prior to the Maturity Date. Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 135% of their principal amount on the Maturity Date.

The Conversion Shares will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 21 May 2008. To date, no Shares had been issued under such general mandate. The estimated net proceeds (after deduction of estimated expenses) from the issue of the Bonds are approximately HK\$164 million and are currently intended to be used by the Company for development of projects and for working capital purpose.

Completion of the Bond Purchase Agreement, which is expected to take place on 29 December 2008 (or such other date as shall be agreed in writing by the Company and the Purchasers), is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Bond Purchase Agreement may be terminated under certain circumstances. Please refer to the section headed “Bond Purchase Agreement” below for further information. As the Bond Purchase Agreement is conditional and may or may not be completed, and therefore the Bonds may or may not be issued, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

No application will be made for the listing of the Bonds. An application will be made for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

Further to the announcement of the Company dated 8 December 2008, the Board announces that the Company and the Purchasers had on 15 December 2008 entered into the Bond Purchase Agreement whereby the Purchasers agreed to subscribe for the Bonds in the aggregate principal amount of HK\$165 million subject to the terms and conditions of the Bond Purchase Agreement. According to the Term Sheet, the Bond Purchase Agreement should be entered into within 5 days from the date of the Term Sheet but the parties thereto had by written agreement agreed to extend the said time limit.

The Conversion Shares will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 21 May 2008. To date, no Shares had been issued under such general mandate.

BOND PURCHASE AGREEMENT

Date: 15 December, 2008

Issuer: The Company

- Subscribers:
- (i) Well Fortune Investments Limited, a wholly-owned subsidiary of CITIC Capital China Real Estate Investment Fund III L.P.
 - (ii) CITIC Capital China Access Fund Limited

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the Purchasers and their ultimate beneficial owners 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).

Guarantee:

The due payment of all sums payable by the Company under the Bonds and the due and punctual performance of the Company's obligations pursuant to the Bonds will be unconditionally and irrevocably guaranteed by the Guarantors and various future subsidiaries of the Company (other than those established under the laws of the PRC) on a joint and several basis.

Conditions precedent:

Completion of the Bond Purchase Agreement is conditional upon, inter alia,:

- (i) Mr. Shi Jian and SRE Investment having executed and delivered to the Purchasers a deed of undertaking whereby it undertakes, among others, not to sell any Shares or enter into other transactions with a similar effect for a period from the date of the Bond Purchase Agreement until 90 days after the Closing Date without the prior written consent of the Purchasers;
- (ii) there shall not have been any suspension of the trading of the Shares on the Stock Exchange for any reason for more than two Trading Days during the period between the date of the Bond Purchase Agreement and the Closing Date (save for the purposes of clearing an announcement in respect of the issue of the Bonds and in respect of any transaction which is of a routine nature);
- (iii) the approval for the listing of and the permission to deal in the new Shares issuable upon conversion of the Bonds on the Stock Exchange shall have been obtained;

- (iv) the delivery of certain legal opinions to the Purchasers;
- (v) at the Closing Date, (a) the representations and warranties of the Company and the Guarantors under the Bond Purchase Agreement being true, accurate and correct in all material respect and not misleading in any material respect and (b) the Company and the Guarantors shall have performed their respective obligations expressed to be performed on or before the Closing Date under the Bond Purchase Agreement;
- (vi) the delivery by the Company at or prior to the Closing Date various documents and certificates required under or pursuant to the Bond Purchase Agreement, including a certificate by SRE Investment confirming that as of the Closing Date, (a) Mr. Shi Jian and his associates together hold at least 62% of the issued share capital of SRE Investment; (b) SRE Investment holds at least 40% of the issued share capital of the Company and at least 700,000,000 ordinary shares of the Issuer and (c) that as of the date of the certificate, none of Mr. Shi Jian, his associates or SRE Investment is a party to any agreement or arrangement the performance of which would result in a Change of Control of the Company;
- (vii) that the issue of the Bonds on the Closing Date would not have triggered any event of default under the terms and conditions of the Bonds and none of the Company or any of its subsidiaries shall have entered into any transaction since the date of the Bond Purchase Agreement that would have been prohibited by the Terms and Conditions had the Terms and Conditions applied since such date; and
- (viii) completion of the due diligence review on the Company and its business which is considered necessary by the Purchasers and which results do not have any material deviation from the information and representations provided by the Company.

In the event that the conditions precedent to the Bond Purchase Agreement are not fulfilled by the Closing Date, the parties to the Bond Purchase Agreement shall be released and discharged from their respective obligations relating to the Bonds to be subscribed and issued on that date (except for the liability of the Company and the Purchasers for the payment of expenses as provided in the Bond Purchase Agreement).

The Purchasers may at their discretion, and upon such terms as they jointly think fit, waive compliance with one or more of the above conditions precedents.

Termination:

The Purchasers may, prior to the payment of the issue price for the Bonds to the Company on the Closing Date, by joint notice terminate the Bond Purchase Agreement if:

- (1) there shall have come to the notice of the Purchasers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Bond Purchase Agreement and the Undertaking or any failure by the Company or the Guarantors or SRE Investment to perform any of its undertakings or agreements under the Bond Purchase Agreement and the Undertaking;
- (2) there shall have occurred a general moratorium on commercial banking activities in the PRC, United Kingdom, United States or Hong Kong by any PRC, United Kingdom, New York State, United States Federal or Hong Kong authorities (which in the opinion of the Subscribers has an adverse effect on the purchase of the Bonds or the value of the Bonds or the Shares);

- (3) if on or after the date of the Bond Purchase Agreement there shall have occurred: (i) any event or change, or any development involving a prospective change, which has or would be likely to have a material adverse effect (as defined in the Bond Purchase Agreement); (ii) any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls; (iii) a general moratorium on commercial banking activities in the PRC or the United Kingdom or United States or Hong Kong by any PRC, United Kingdom, New York State, United States Federal or Hong Kong authorities, (iv) an outbreak or escalation of hostilities or act of terrorism or epidemic (which in the opinion of the Purchasers has an adverse effect on the purchase of the Bonds or the value of the Bonds or the Shares); (v) a suspension or material limitation of trading in securities generally on the New York Stock Exchange, the Nasdaq Stock Market, Inc., the London Stock Exchange plc or the Stock Exchange; (vi) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change in the credit rating accorded to any of the Company's securities or in the credit rating outlook for the Company by any international credit rating agency; or (vii) a suspension in trading in the Company's securities on the Stock Exchange for more than 2 consecutive Trading Days (save in respect of any suspension in trading of the Shares on the Stock Exchange (a) for the purposes of clearing an announcement in respect of the issue of the Bonds pursuant to the Bond Purchase Agreement; and (b) which in the opinion of the Purchasers is of a routine nature); or
- (4) if any of the conditions precedent set out above have not been satisfied or waived by the Purchasers by the Closing Date.

Completion:

Subject to the fulfillment (or waiver by the Purchasers) of the above conditions precedent, completion of the Bond Purchase Agreement is expected to take place on the Closing Date.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised below:

Issuer:	The Company
Subscriber:	(i) Well Fortune Investment Limited, a wholly-owned subsidiary of CITIC Capital China Real Estate Investment Fund III L.P., which has agreed to subscribe for the Bonds in the principal amount of HK\$126 million; and (ii) CITIC Capital China Access Fund Limited, which has agreed to subscribe for the Bonds in the principal amount of HK\$39 million.
Principal amount:	HK\$165 million
Issue price:	HK\$165 million
Interest:	2.5% per annum
Maturity Date:	the date falling 5 years from the Closing Date
Redemption price at maturity:	Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 135% of their principal amount on the Maturity Date together with accrued and unpaid interest, provided that if an Adjustment Event (as set out below) has occurred prior to the Maturity Date, the redemption price payable on the Maturity Date shall be the Early Redemption Amount instead.

Adjustment Event:

An Adjustment Event occurs:

- (i) when the Audited Sales in any of the years of 2009 to 2012 falls below the corresponding target sales of HK\$4,600 million for 2009, with an annual increase of 25% for each subsequent year;
- (ii) when the Audited Net Profits in any of the years of 2009 to 2012 falls below the corresponding target net income of HK\$540 million for 2009, with an annual increase of 15% for each subsequent year;
- (iii) when the average daily trading volume of the Shares (averaged based on the number of Trading Days during the relevant 180 consecutive days) is below 15,000,000 Shares for any 180 consecutive days after the first anniversary of the issue date of the Bonds (“**Trading Volume Adjustment Event**”); or
- (iv) when the Company, without the prior written consent of the Majority Bondholders, issues any further bonds, notes and other debt securities, the conversion price of which is more favourable to investors than the then applicable Conversion Price of the Bonds.

Conversion Price:

The Bondholders will have the right to convert the Bonds into Shares at the initial conversion price of HK\$0.55 per Share (subject to adjustment), representing (i) a premium of approximately 3.77% over the closing price of HK\$0.530 per Share as quoted on the Stock Exchange on 5 December 2008, being the last trading day prior to the suspension in trading of the Shares on the Stock Exchange pending the issue of the announcement relating to the Term Sheet; (ii) a premium of approximately 14.58% over the closing price of HK\$0.480 per Share as quoted on the Stock Exchange on the Last Trading Day; (iii) a premium of 7.63% over the average closing price of HK\$0.511 per Share as quoted on the Stock Exchange for the 5 Trading Days up to and including the Last Trading Day; (iv) a premium of 13.64% over the average closing price of HK\$0.484 per Share as quoted on the Stock Exchange for the 10 Trading Days up to and including the Last Trading Day; and (v) a premium of 26.44% over the average closing price of HK\$0.435 per Share as quoted on the Stock Exchange for the 20 Trading Days up to and including the Last Trading Day.

The Conversion Price is determined after arm's length negotiations between the Company and the Purchasers with reference to the market prices of the Shares prior to the date of the Term Sheet.

Adjustments to Conversion Price: 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.

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 financial year, exceeds 30% of the consolidated profit for the period for the financial 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.

In the event of any adjustment to the Conversion Price taking place, the Company will issue an announcement pursuant to Rule 13.09 of the Listing Rules to inform the Shareholders of the same. The Company shall arrange for an independent investment bank to opine on whether the adjustment is in accordance with the Terms and Conditions.

Conversion period: The conversion right may be exercised, at the option of the Bondholder, at any time after 60 days from the date of issue of the Bonds up to the close of business on a date no later than 7 business days prior to the Maturity Date

Redemption at the option of the Bondholders: The Company shall, at the option of the Bondholder, redeem all and not some only of such holder's Bonds at any time after 3 years from the Closing Date at 120% of its principal amount together with accrued and unpaid interest as at the relevant date fixed for redemption ("**Put Option Date**"), provided that if an Adjustment Event (as set out above) has occurred prior to the Put Option Date, the redemption price payable on the Put Option Date shall be the Early Redemption Amount instead.

Redemption for delisting or
Change of Control or other
Relevant Event:

The Company shall, at the option of the Bondholder, redeem all and not some only of such holder's Bonds at the Early Redemption Amount on the occurrence of:

- (i) in the event the Shares cease to be listed or admitted to trading on the Stock Exchange (or if applicable, an Alternative Exchange) or trading of the Shares is suspended for more than 21 consecutive Trading Days;
- (ii) in the event of a Change of Control of the Company;
- (iii) when the auditors of the Company (a) resigned on the ground of any disagreement with the Company or its management except for the disagreement on the audit fee or any other issue which does not allude to a purported deviation from the accepted accounting principles, unless the circumstances of such resignation being accepted by the Majority Bondholders in writing within 14 days from the date of resignation or (b) changed to accountant firms other than PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young or KPMG without prior written consent of the Majority Bondholders;
- (iv) when the Debt-to-Equity Ratio as at the end of any Fiscal Period after the date of the issue of the Bonds exceed 80%; or
- (v) when the Company or any of its subsidiaries enters into any derivative transactions in connection with protection against or to benefit from fluctuations in any rate, price index or credit rating with an aggregate amount of liabilities (whether actual or contingent) exceeding 50% of the book value of the equity of the Company of the latest financial period.

Redemption on event of default:

Where there is an event of default, the Bonds will be redeemed at the Early Redemption Amount.

Redemption at the option
of the Company:

The Company:

- (i) may at any time from the day which is 180 days after the first anniversary of the issue date of the Bonds and prior to the Maturity Date, on giving not less than 60 days' notice to the Bondholders, redeem 50% of the Bonds outstanding on the 14th day prior to the date fixed for redemption as set out in the said notice (pro-rated among the Bondholders) ("**50% Bonds**") at a redemption price equal to their Early Redemption Amount as at the date fixed for redemption, provided that (a) the closing price of the Shares (as quoted by the Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange) for each of 20 out of 30 consecutive Trading Days prior to the date upon which notice of such redemption is given to the Bondholders was at least 150% of the then applicable Conversion Price, and (b) the Trading Volume Adjustment Event (as set out above) has not occurred prior to the date upon which the aforesaid notice of redemption is given;

- (ii) may at any time after completion of the redemption of the 50% Bonds following its exercise of the right set out in paragraph (i) above and prior to the Maturity Date, on giving not less than 60 days' notice to the Bondholders, redeem all and not some only of the remaining Bonds outstanding on the 14th day prior to the date fixed for redemption as set out in the said notice at a redemption price equal to their Early Redemption Amount as at the date fixed for redemption, provided that the closing price of the Shares (as quoted by the Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange) for each of 20 out of 30 consecutive Trading Days prior to the date upon which notice of such redemption is given to the Bondholders was at least 200% of the then applicable Conversion Price; or

(iii) may at any time prior to the Maturity Date on giving not less than 60 days' notice to the Bondholders, redeem all and not some only, of the Bonds outstanding on the fourteenth (14th) day prior to the date fixed for redemption as set out in the said notice at the Early Redemption Amount on the relevant date fixed for redemption, if at least 90% in the principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled;

Covenants:

The Company undertakes with the Bondholders that it will (i) observe all covenants contained in condition 5 of the terms and conditions of the 2013 Notes; (ii) notify the Bondholders forthwith any breach or non-observance of any of the said covenants contained in the 2013 Notes, and (iii) execute in favour of the Bondholders a deed of covenants containing covenants as to be proposed by the Bondholders within seven (7) days after the redemption or purchase in full of the 2013 Notes, or the covenants contained in the 2013 Notes ceasing to have any effect for whatever reasons.

Ranking of the Bonds:

The Bonds shall constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.

Ranking of Conversion Shares:

The Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant date of registration of holders of such Conversion Shares on the register of members of the Company.

Listing:

No application will be made for the listing of the Bonds. An application will be made for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

Form of the Bonds:

Registered and freely transferable

Denomination:

HK\$100,000

Negative Pledge:

So long as any of the Bonds remains outstanding:

- (i) neither the Company nor the Guarantors will create or permit to subsist any Security upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness; and
- (ii) and the Company and the Guarantors will procure that none of their subsidiaries or other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues, present or future of that subsidiary or other person, to secure any Relevant Indebtedness of the Company, the Guarantors or any of their subsidiaries, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness of the Company, the Guarantors or any of their subsidiaries,

unless, at the same time or prior thereto, the Company's obligations under the Bonds or the relevant Guarantor's obligation under its guarantee (i) are secured equally and rateably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Majority Bondholders.

LOCKUP UNDERTAKING GIVEN BY THE COMPANY AND CERTAIN SHAREHOLDERS

The Company has undertaken under the Bond Purchase Agreement that it will not, nor any person acting on its behalf will, for a period from the date of the Bond Purchase Agreement up to 90 days after the Closing Date, without the prior written consent of the Purchasers, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce the same), any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise) save for (a) Shares issued pursuant to the conversion provisions of the Bonds or (b) Shares issued pursuant to the share option scheme of the Company adopted on 23 May 2002.

Each of Mr. Shi Jian and SRE Investment will give the Undertaking on the Closing Date to irrevocably and unconditionally undertakes for the benefit of the Purchasers that for a period from the date of the Bond Purchase Agreement up to 90 days after the Closing Date, neither he/it nor any of the entities or affiliates over which he/it exercises management or voting control, nor any pledgee of Shares beneficially owned by the SRE Investment or any direct or indirect interest in the Shares owned by SRE Investment and Mr. Shi Jian, nor any person acting on he/its behalf will, without the prior written consent of the Purchasers, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce the same), any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise) or any direct or indirect interest in the Shares owned by SRE Investment and/or Mr. Shi Jian save for (a) Bonds issued under the Bond Purchase Agreement or (b) Shares issued pursuant to the conversion provisions of the Bonds or (c) Shares issued pursuant to the stock option scheme of the Company and that for the period from the date which is 90 days after the Closing Date up to the date when there is no Bond outstanding, he/it shall maintain Mr. Shi Jian's aggregate direct and indirect shareholding in the Company at 30% or more on a fully diluted and as converted basis, free and clear of all liens, charges, encumbrances, security interests or claims of third parties and shall refrain from doing anything or permitting anything being done so that a Change of Control occurs.

EFFECT ON THE SHARE CAPITAL

Based on the Conversion Price of HK\$0.55 per Share and assuming full conversion of the Bonds, the Bonds will be convertible into 300,000,000 Conversion Shares (representing an aggregate nominal value of HK\$165 million), representing approximately 10.78% of the issued share capital of the Company as at the date of the Bond Purchase Agreement and approximately 9.728% of the issued share capital of the Company as enlarged by the issue and allotment of such Conversion Shares.

The issued share capital of the Company as at 15 December, 2008, being the date of the Bond Purchase Agreement, is HK\$278,388,119.70 divided into 2,783,881,197 Shares. The following table summarises the shareholding structure of the Company as at the date of the Bond Purchase Agreement and immediately after full conversion of the Bonds at the Conversion Price of HK\$0.55 per Share:

Shareholder	As at the date of the Bond Purchase Agreement		Assuming that the Bonds are fully converted into Shares at the initial Conversion Price	
	No. of Shares	Approx. % to issued share capital of the Company	No. of Shares	Approx. % of the issued share capital of the Company as enlarged by the issue of the Conversion Shares
SRE Investment Holdings Limited	1,248,400,938	44.84%	1,248,400,938	40.48 %
Directors and their spouses	3,147,314	0.12%	3,147,314	0.10%
Other public Shareholders	1,532,332,945	55.04%	1,532,332,945	49.69%
Bondholders	Nil	Nil	300,000,000	9.73%
Total	2,783,881,197	100.00%	3,083,881,197	100.00%

REASONS FOR ISSUE OF THE BONDS

The Directors consider that the issue of the 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 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 Bond Purchase Agreement and the Bonds (including the interest and the Conversion Price) have been arrived at after arm's length negotiations between the Company and the Purchasers. The Directors consider that the terms of the Bond Purchase Agreement and the Bonds (including the interest and the Conversion Price, as well as the provisions for adjustment to the Conversion Price which the Directors consider to be in line with market practices) are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The estimated net proceeds (after deduction of estimated expenses) from the issue of the Bonds are approximately HK\$164 million and are currently intended to be used by the Company for development of projects and for working capital purpose.

Based on the above net proceeds and the initial Conversion Price, the net price to the Company of each Conversion Share is approximately HK\$0.546.

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.

Completion of the Bond Purchase Agreement, which is expected to take place on 29 December 2008 (or such other date as shall be agreed in writing by the Company and the Purchasers), is subject to the satisfaction and/or waiver of the conditions precedent therein. As the Bond Purchase Agreement is conditional and may or may not be completed, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares of the Company.

There has been no funds raised by the Company on any issue of equity securities in the 12 months preceding the date of this Announcement.

DEFINITIONS

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

“Alternative Exchange”	at any time, if the Shares are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market approved by the Majority Bondholders and on which the Shares are then listed or quoted or dealt in
“associate(s)”	has the same meaning as defined in the Listing Rules
“Audited Net Profits”	in relation to a Fiscal Period, the book value of profit after tax less profit deriving from revaluation of assets or investments as reported in the Company’s audited annual consolidated financial statements for that Fiscal Period
“Audited Sales”	in relation to a Fiscal Period, the book value of revenue less revenue deriving from revaluation of assets or investments as reported in the Company’s audited annual consolidated financial statements for that Fiscal Period
“Board”	the board of Directors
“Bond(s)”	HK\$165 million 2.5% coupon convertible bonds due 2013 convertible into ordinary shares of the Company to be issued by the Company
“Bond Purchase Agreement”	the conditional agreement dated 15 December, 2008 entered into between the Company, the Guarantors and the Purchasers in relation to the subscription by the Purchasers of the Bonds
“Bondholder(s)”	holder(s) of the Bonds from time to time
“CCCA”	CITIC Capital China Access Fund Limited

“Change of Control”

in respect of the Company, occurs when:

- (i) any person or persons acting in concert acquires Control of the Company if such person or persons does not or do not have, and would not be deemed to have, Control of the Company on the date of issue of the Bonds except arising from issue of Shares on exercise of the conversion rights under the Bonds;
- (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Company or the successor entity;
- (ii) one or more persons acting in concert (other than any person referred to in (i) above) acquires the legal or beneficial ownership of more than 50% of the issued share capital of the Company except arising from issue of Shares on exercise of the conversion rights under the Bonds; or
- (iv) Mr. Shi Jian’s direct and indirect shareholding in the Company in aggregate falls below 30% on a fully diluted and as converted basis.

“Closing Date”

the date of closing of the issue and subscription of the Bonds, being 5:00 p.m. (Hong Kong time) on 29 December, 2008 or such other date as shall be agreed in writing by the Company and the Purchasers

“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

“Control”	in respect of the Company, means the right to appoint and/or remove all or the majority of the members of the Company’s board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
“Conversion Price”	HK\$0.55 per Share (subject to adjustment)
“Conversion Shares”	such new Shares to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Bonds
“Debt-to-Equity Ratio”	the ratio of the book value of interest-bearing bank and other borrowings, guaranteed notes, convertible notes, and derivative financial liabilities less cash and bank balances (including restricted cash and bank balances) as reported in the Company’s audited annual consolidated financial statements for that Fiscal Period to the book value of equity attributable to equity holders of the parent as reported in the Company’s audited annual consolidated financial statements for that Fiscal Period in relation to a Fiscal Period
“Directors”	the directors of the Company
“Early Redemption Amount”	an amount in respect of each HK\$100,000 principal amount of 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 Bonds
“Fiscal Period”	a period commencing on 1 January and ending on the succeeding 31 December, provided that if the Company shall change its financial year so as to end on a date other than 31 December, the aforesaid period shall be amended as necessary
“Group”	the Company and its subsidiaries

“Guarantors”	each of Shunlink Investment Limited, Dragon Time Investment Limited, Wellwide Limited, Sinopower Investment Limited, Super-power.com Ltd., Eastin Resources Limited, Powerland Investment Limited, Wingo Investment Limited, Kolsun Enterprises Ltd., Onfair Holding Ltd., Jadecorp Investment Limited, Prosogo Investment Limited, Linhill Investment Limited, Mayson Resources Limited, Gaken Investment Limited, Starweb Investment Limited, China Edifice Holdings Ltd., Golden Bright Resources Limited, China Edifice Ltd., Moony Hill Investments Limited, Go High Investments Limited, Goldfull Enterprises Limited, Konmen Investment Limited, Anderson Land (Shanghai) Limited, Wellton Resources Limited, Lihon Investment Limited (all being subsidiaries of the Company) and any future 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
“Last Trading Day”	15 December 2008, being the date of the Bond Purchase Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majority Bondholders”	2/3 majority of the Bondholders in value of the Bonds for the time being outstanding
“Maturity Date”	the date falling 5 years from the Closing Date
“Mr. Shi Jian”	Mr. Shi Jian, the chairman and an executive director of the Company, who together with his spouse, collectively own approximately 62% interests in SRE Investment
“PRC”	the People’s Republic of China

“Purchasers”	Well Fortune and CCCA
“Relevant Indebtedness”	any future and present indebtedness other than that under any secured transferable loan facility (which term shall for these purposes mean any agreement for or in respect of indebtedness for borrowed money entered into by the Issuer or any Guarantor or any Subsidiary in the ordinary course of business with one or more banks and/or financial institutions whereunder rights and obligations (if any) may be assigned and/or transferred), provided that such facility is not quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities markets and any guarantee or indemnity of such indebtedness
“Security”	any mortgage, charge, pledge, lien or other form of encumbrance or security interest
“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)
“SRE Investment”	SRE Investment Holdings Limited, the controlling shareholder of the Company holding approximately 44.84% of the existing issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Terms and Conditions”	the terms and conditions of the Bond as set out in Schedule 2 to the Bond Purchase Agreement
“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
“Trading Day(s)”	a day when the Stock Exchange, or as the case may be an Alternative Exchange, is open for dealing business, provided that if no closing price for the Shares is reported for one or more consecutive dealing days, such day or days will be disregarded

“Well Fortune”	Well Fortune Investments Limited
“Undertaking”	the undertaking to be given by SRE Investment on the Closing Date whereby it undertakes, inter alia, not to sell any Shares or enter into other transactions with a similar effect for a period from the date of the Bond Purchase Agreement until 90 days after the Closing Date without the prior written consent of the Purchasers
“2013 Notes”	the US\$200 million 8.625% Guaranteed Notes due 2013 issued by the Company
“%”	per cent.

By Order of the Board
SRE GROUP LIMITED
Shi Jian
Chairman

Hong Kong, 15 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