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SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

**ISSUE OF RMB336.6 million 4.50% COUPON CONVERTIBLE BONDS DUE 2013
CONVERTIBLE INTO ORDINARY SHARES OF
SRE GROUP LIMITED**

Sole Placing Agent



On 1 August, 2008, the Company and the Subscribers entered into the Bond Purchase Agreement whereby the Subscribers agreed to subscribe for the Bonds in the aggregate principal amount of RMB336.6 million (approximately HK\$383.2 million) subject to the terms and conditions of the Bond Purchase Agreement.

The initial Conversion Price of HK\$1.00 represents a premium of approximately 13.6% over the closing price of the Shares quoted on the Stock Exchange on 1 August, 2008, being the date of the Bond Purchase Agreement. Assuming full conversion of the Bonds at the Conversion Price of HK\$1.00 per Share, the Bonds will be convertible into 383.2 million Conversion Shares, representing approximately 13.8% of the issued share capital of the Company as at the date of the Bond Purchase Agreement and approximately 12.1% 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 on or after 41 days from the Closing Date until 7 days prior to the Maturity Date, or if such Bonds shall have been called for redemption by the Company in accordance with its terms before the Maturity Date, then up to the close of business on a date no later than 7 business days prior to the date fixed for redemption of such Bond, or if notice requiring redemption has been given by the holder of such Bond pursuant to the Terms and Conditions, then up to the close of business on the day prior to the giving of such notice. Unless previously redeemed or converted or purchased and cancelled, the Bonds will be redeemed at 141.84% 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, there has been no issue of Shares under such general mandate.

The estimated net proceeds (after deduction of commission and estimated expenses) from the issue of the Bonds are approximately RMB322.9 million (approximately HK\$367.6 million) and are currently intended to be used by the Company for partial payment of land premium in relation to the Haikou project.

Completion of the Bond Purchase Agreement, which shall take place on 19 September, 2008 (or such other date as shall be determined by the Subscribers at their sole discretion provided that such date shall not extend beyond 24 October, 2008, 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 to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

BOND PURCHASE AGREEMENT

- Date: 1 August, 2008
- Issuer: SRE Group Limited
- Subscribers: The Subscribers and the principal amount of the Bonds which each of them has agreed to subscribe for are as follows:
- (i) Sculptor Finance (MD) Ireland Limited subscribing for the Bonds in the principal amount of RMB72,700,000 (approximately HK\$82.76 million);
 - (ii) Sculptor Finance (AS) Ireland Limited subscribing for the Bonds in the principal amount of RMB123,200,000 (approximately HK\$140.26 million);
 - (iii) Sculptor Finance (SI) Ireland Limited subscribing for the Bonds in the principal amount of RMB6,100,000 (approximately HK\$6.94 million); and
 - (iv) Forum Asian Realty Income II, L.P. subscribing for the Bonds in the principal amount of RMB134,600,000 (approximately HK\$153.23 million).
- Subscribers (i) to (iii) belong to the same investor while Subscriber (iv) is not related to the others. The Subscribers are independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).
- Guarantee: The due payment of all sums expressed to be payable by the Company and the due performance by the Company of its obligations under the trust deed constituting the Bonds as well as the Bonds 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
- Conditions precedent: Completion of the subscription of the Bonds is conditional upon, inter alia,:
- (i) each of the Subscribers being satisfied in its reasonable opinion with the results of its due diligence investigations with respect to the Group;

- (ii) SRE Investment shall have executed and delivered to the Subscribers a deed of undertaking whereby it undertakes 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 each Subscriber;
- (iii) execution of the trust deed constituting the Bonds and of the paying and conversion agency agreement in connection with the payments of principal and interest on the Bonds by paying agents of the Company;
- (iv) 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 pursuant to the Bond Purchase Agreement and in respect of any transaction which is of a routine nature);
- (v) 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;
- (vi) the delivery of certain legal opinions to the Subscribers and the trustee of the Bonds;
- (vii) the representations and warranties of the Company and the Guarantors under the Bond Purchase Agreement being true, accurate and correct and not misleading in any material respect and the Company and the Guarantors shall have performed their respective obligations under the Bond Purchase Agreement at the Closing Date;
- (viii) 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 or the other Transaction Documents, including a certificate by SRE Investment confirming that as of the Closing Date, (a) Mr. Shi Jian and his associates (as defined under the Listing Rules), 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 (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;

- (ix) 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;
- (x) there shall not have occurred or been, since the date of the Bond Purchase Agreement until the Closing Date, any event or change, or any development involving a prospective change, which has or would reasonably be likely to have a Material Adverse Effect (as defined in the Bond Purchase Agreement).

In the event that the conditions precedent to the Bond Purchase Agreement are not fulfilled on or prior to the Closing Date, the Bond Purchase Agreement shall terminate and 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 Company's liability for the payment of expenses as provided in the Bond Purchase Agreement, the respective obligations of the parties under the Bond Purchase Agreement which would have survived notwithstanding termination, and any liability existing prior to or in relation to such termination.

Termination:

Each Subscriber may, in respect of itself, prior to the payment of the issue price for the Bonds to the Company on the Closing Date by notice terminate the Bond Purchase Agreement in respect of itself only if:

- (i) there shall have come to the notice of the relevant Subscriber (1) any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in the Bond Purchase Agreement or (2) any failure by the Company or any Guarantor to perform or comply with any of its undertakings or agreements under any of the Transaction Documents or (3) the occurrence of any event which would constitute (had the Bonds already been issued) an event of default (as set out in the Terms and Conditions) or which with the giving of notice or the lapse of time or other condition would (had the Bonds already been issued) be an event of default (as set out in the Terms and Conditions);
- (ii) there shall have occurred 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 (which in the opinion of the relevant Subscriber has an adverse effect on the purchase of the Bonds or the value of the Bonds or the Shares or would render it impracticable or inadvisable to

proceed with the purchase of the Bonds or the dealing in the Bonds or the Shares in the secondary market);

- (iii) there shall have occurred 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 (which in the opinion of the relevant Subscriber after such consultation with the Company as may be reasonably practicable in the circumstances has an adverse effect on the purchase of the Bonds or the value of the Bonds or the Shares or would render it impracticable or inadvisable to proceed with the purchase of the Bonds or the dealing in the Bonds or the Shares in the secondary market);
- (iv) there shall have occurred an outbreak or escalation of hostilities or act of terrorism or epidemic (which in the opinion of the relevant Subscriber after such consultation with the Company as may be reasonably practicable in the circumstances has an adverse effect on the purchase of the Bonds or the value of the Bonds or the Shares or would render it impracticable or inadvisable to proceed with the purchase of the Bonds or the dealing in the Bonds or the Shares in the secondary market);
- (v) on or after the date of the Bond Purchase Agreement there shall have occurred: (1) 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; or (2) a suspension in trading in the Company's securities on the Stock Exchange (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 relevant Subscriber's opinion is not materially adverse to the issue and purchase of the Bonds or the value of the Bonds or the Shares); or
- (vi) on or after the date of the Bond Purchase Agreement there shall have occurred or been: (1) any change, development or event involving a prospective change, in the assets, liabilities, conditions (financial or otherwise), results of operations, business, properties, prospects or affairs of the Company or any of its subsidiaries, jointly controlled entities, associates or affiliates that is in the opinion of the relevant Subscriber adverse; (ii) any notice, demand, claim, proceeding or suit against the Company or any of its subsidiaries, jointly controlled entities, associates or affiliates in excess of US\$ 3 million (or the equivalent of US\$3 million in another currency) per notice; or (iii)

any default in connection with any financial indebtedness or other obligations of the Company or any of its subsidiaries, jointly controlled entities, associates or affiliates relating to an amount in excess of US\$ 3 million (or the equivalent of US\$3 million in another currency)(whether on a singular or aggregated basis).

Completion: Subject to the fulfillment (or waiver by the Subscribers) of the above conditions precedent, completion of the subscription for the Bonds is expected to take place on the Closing Date.

SOLE PLACING AGENT

The Placing Agent has been engaged by the Company to act as the sole and exclusive placing agent of the Company in connection with the placing of the Bonds. To the best of the Directors' knowledge, information and belief, the Placing Agent is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised as follows:

Issuer:	The Company
Principal Amount:	RMB336.6 million (approximately HK\$383.2 million)
Issue Price:	100% of the principal amount of the Bonds.
Net Proceeds:	The estimated net proceeds (after deduction of commission and estimated expenses) from the issue of the Bonds are approximately RMB322.9 million (approximately HK\$367.6 million).
Interest:	4.5% per annum payable on a semi-annual basis
Conversion Rights:	<p>The Bondholder(s) will have the right to convert the Bonds, in whole or in part (in an amount or integral multiple of RMB100,000), into Shares.</p> <p>The number of Shares to be issued on conversion of a Bond will be determined by dividing the RMB principal amount of the Bond to be converted (translated into Hong Kong dollars at the fixed exchange rate of HK\$1.00 = RMB0.8784) by the Conversion Price in effect at the relevant conversion date in respect of the Bond.</p>
Conversion Period:	The Conversion Right may be exercised, at the option of the holder, at any time on or after 41 days from the Closing Date until 7 days prior to the Maturity Date or, if such Bond shall have been called for redemption by the Company before the Maturity Date, then up to the close of business on a

date no later than seven business days prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Bond pursuant to the Terms and Conditions, then up to the close of business on the day prior to the giving of such notice.

Conversion Price: Initially HK\$1.00 per Share, representing (i) a premium of approximately 13.6% over the closing price of HK\$0.88 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of 13.6% over the average closing price of HK\$0.88 per Share as quoted on the Stock Exchange for the 5 Trading Days up to and including the Last Trading Day; (iii) a premium of 13.8% over the average closing price of HK\$0.879 per Share as quoted on the Stock Exchange for the 10 Trading Days up to and including the Last Trading Day; and (iv) a premium of 17.0% over the average closing price of HK\$0.855 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 Subscribers with reference to the prevailing market price of the Shares prior to the Last Trading Day.

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 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.

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 or a firm of professional accountants to opine on whether the adjustment is in accordance with the Terms and Conditions.

Allotment pursuant to general mandate: 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 of the Company held on 21 May 2008.

Conversion Price Reset:	<p>If the average of the Closing Prices (the “Volume Weighted Average Closing Price”) of the Shares for each day during the period of 20 consecutive Trading Days immediately prior to any of 25 January, 2009, 25 July 2009, 25 January, 2010, 25 July 2010, 25 January, 2011 and 25 June 2011 (each a “Reset Date”) is lower than the Conversion Price on the relevant Reset Date, the Conversion Price will be adjusted so that the Volume Weighted Average Closing Price in respect of such Reset Date shall be the Conversion Price in effect from, and including, the relevant Reset Date provided that:</p> <p>(i) the Conversion Price shall not be reduced below HK\$0.70 per Share; and</p> <p>(ii) any adjustments to the Conversion Price made pursuant to the above Conversion Price reset mechanism shall only be downward adjustments.</p>
Cash Settlement Option:	<p>If due to the adjustments or the reset mechanism of the Conversion Price, the number of Conversion Shares to be issued upon conversion of the Bond would exceed the 20% general mandate of the Company, the Company will only issue the Conversion Shares up to the said 20% general mandate level and shall pay out the remaining balance in cash by exercising the cash settlement option afforded to the Company under the Terms and Conditions.</p>
Ranking of the Bonds:	<p>The Bonds constitute direct, senior, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves.</p>
Ranking of Conversion Shares:	<p>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.</p>
Redemption at the option of the Bondholders:	<p>The Company will, at the option of the holder of any Bond, redeem all or some of such holder’s Bonds on the date falling 3 years after the Closing Date at the US Dollar Equivalent of its RMB principal amount multiplied by 122.39%.</p>
Redemption on change of control:	<p>The Company will, at the option of the holder of any Bond redeem all and not some only of such holder’s Bonds where there is a Change of Control Triggering Event under the 2013 Notes, at the US\$ Equivalent Amount of their Early Redemption Amount together with accrued and unpaid interest.</p>

Redemption for delisting:	The Company will, at the option of the holder of any Bond redeem all and not some only of such holder's Bonds in the event the Shares ceased to be listed on the Stock Exchange (or if applicable, an Alternative Exchange), at the US\$ Equivalent Amount of the Early Redemption Amount together with accrued and unpaid interest.
Redemption on event of default:	Where there is an event of default, the Bonds will be redeemed at the US\$ Equivalent Amount of their Early Redemption Amount.
Redemption at the option of the Company:	<p>(i) The Company may at any time after the date falling 3 years after the Closing Date and prior to the Maturity Date redeem all and not some only of the Bonds, at the US\$ Equivalent Amount of their Early Redemption Amount together with accrued and unpaid interest if the closing price of the Shares for any 20 Trading Days out of the 30 consecutive Trading Days prior to the date upon which notice of such redemption is published was at least 175% of the Early Redemption Amount divided by the Conversion Ratio.</p> <p style="padding-left: 40px;">If there shall occur an event giving rise to a change in the Conversion Price during any such 20 out of 30 consecutive Trading Day period, appropriate adjustments for the relevant days shall be made, as determined by an independent investment bank, for the purpose of calculating the Conversion Price for such days.</p> <p>(ii) The Company may redeem at any time prior to the Maturity Date all and not some only of the Bonds at the US\$ Equivalent Amount of the Early Redemption Amount together with accrued and unpaid interest, if prior to the date which notice of such redemption is given, at least 90% in aggregate principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.</p>
Redemption for taxation reasons:	The Company may at any time prior to maturity redeem the Bonds in whole but not in part at the US\$ Equivalent Amount of the Early Redemption Amount together with accrued and unpaid interest if (1) the Company has or will be obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of Bermuda, the British Virgin Islands or Hong Kong, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws and regulations, which change or amendment becomes effective on or after the Closing Date, and (2) such obligation cannot be avoided by the Company taking reasonable measures available to it.

Maturity:	Unless previously converted or redeemed or purchased and cancelled as provided in the Terms and Conditions, the Company will redeem each Bond at an amount equal to the US Dollar Equivalent of its RMB principal amount multiplied by 141.84% on the Maturity Date.
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:	RMB100,000
Negative Pledge:	So long as any of the Bonds remains outstanding, the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the date of issue of the Bonds or thereafter acquired, except Liens as permitted under the Terms and Conditions, unless the Bonds are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Bonds, prior to) such Lien
Other Covenants:	<p>The Bonds and the trust deed constituting the Bonds will restrict the ability of the Company and its subsidiaries to (subject to qualifications and exceptions):–</p> <ul style="list-style-type: none"> – incur indebtedness – make restricted payments – create, permit to exist or effect any restrictions on distributions or intra-group transactions – issue or sell capital stock – enter into affiliate transactions – enter into sale and leaseback transactions – sell assets

LOCKUP UNDERTAKING GIVEN BY THE COMPANY AND CERTAIN SHAREHOLDERS

The Company has undertaken under the Bond Purchase Agreement that it will not, 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 each Subscriber, 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) the 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 share option scheme of the Company adopted on 23 May 2002 or (d) Shares issued pursuant to the conversion provisions of the 2010 Bonds.

SRE Investment will irrevocably and unconditionally undertake to the Subscribers that from the date of the Bond Purchase Agreement up to 90 days after the Closing Date, neither it nor any of the entities or affiliates over which it exercises management or voting control, nor any person acting on its behalf will, without the prior written consent of the Subscribers (which consent shall not be unreasonably withheld or delayed), 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) 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 or (d) Shares issued pursuant to the conversion provisions of the 2010 Bonds.

EFFECT ON THE SHARE CAPITAL

Based on the initial Conversion Price of HK\$1.00 per Share and assuming full conversion of the Bonds, the Bonds will be convertible into 383,196,718 Conversion Shares, (representing an aggregate nominal value of HK\$38,319,671.80), representing approximately 13.8% of the issued share capital of the Company as at the date of this announcement and approximately 12.1% of the issued share capital of the Company as enlarged by the issue and allotment of such Conversion Shares.

Based on the minimum Conversion Price of HK\$0.70 under the reset mechanism, the Bonds will be convertible into 547,423,888 Conversion Shares, representing approximately 19.66% of the issued share capital of the Company as at the date of this announcement and approximately 16.43% 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 1 August, 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 initial Conversion Price of HK\$1.00 per Share (assuming no conversion under the 2010 Bonds as well as assuming full conversion under the 2010 Bonds):

Shareholder	No. of Shares	As at the date of the Bond Purchase Agreement	Assuming that the Bonds are fully converted into Shares at the initial Conversion Price of HK\$1.00 per Share but the outstanding 2010 Bonds are not converted		Assuming that the Bonds and the outstanding 2010 Bonds are fully converted into Shares at HK\$1.00 per Share and HK\$1.35 per Share respectively	
			No. of Shares	Approx. % of the issued share capital of the Company as enlarged by the issue of the Conversion Shares	No. of Shares	Approx. % of the issued share capital of the Company as enlarged by the issue of the outstanding 2010 Bonds
SRE Investment Holding Limited	1,248,400,938	44.84%	1,248,400,938	39.42 %	1,248,400,938	39.02%
Directors and their spouses	3,147,314	0.12%	3,147,314	0.10%	3,147,314	0.10**%
Other public Shareholders	1,532,332,945	55.04%	1,532,332,945	48.38%	1,564,555,167 <i>(note)</i>	48.90%
Bondholders	Nil	Nil	383,196,721	12.10%	383,196,721	11.98%
Total	2,783,881,197	100.00%	3,167,077,918	100.00%	3,199,300,140	100%

Note: Including Shares issued pursuant to the full conversion of the outstanding 2010 Bonds.

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 two international strategic investors and in the event that the Bonds are converted into Conversion Shares, the shareholder base of the Company will be enlarged.

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, the Placing Agent and the Subscribers and are on normal commercial terms.

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 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 commission and estimated expenses) from the issue of the Bonds are approximately RMB322.9 million (approximately HK\$367.6 million) and are currently intended to be used by the Company for partial payment of land premium in relation to the Haikou project.

Based on the above net proceeds and initial Conversion Price, the net price of the Company of each Conversion Share is approximately HK\$0.96.

GENERAL

The Group is an integrated property developer and is principally engaged in the development and sale of residential and commercial properties in Shanghai and Shenyang, the PRC with a specific focus on the middle to high-end residential properties.

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.

Completion of the Bond Purchase Agreement, which shall take place on 19 September, 2008 (or such other date as shall be determined by the Subscribers at their sole discretion provided that such date shall not extend beyond 24 October, 2008, is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the section headed "Bond Purchase Agreement" above for further information.

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.

DEFINITIONS

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

“Additional Tax Amount”	such additional amounts payable by the Company, or as the case may be, the Guarantors, as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no deduction or withholding been required
“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 on which the Shares are then listed or quoted or dealt in
“associate(s)”	has the same meaning as defined in the Listing Rules
“Bond(s)”	RMB denominated US\$-Settled convertible bond(s) in the aggregate principal amount of RMB336.6 million to be issued by the Company
“Bond Purchase Agreement”	the conditional agreement dated 1 August, 2008 entered into between the Company, the Guarantors and the Subscribers in relation to the subscription by the Subscribers of the Bonds
“Bondholder(s)”	holder(s) of the Bonds from time to time
“Closing Date”	3.00 p.m. (Hong Kong time) on 19 September, 2008 or such other date as shall be determined by the Subscribers at their sole discretion provided that such date shall not extend beyond 24 October, 2008
“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 acquisition or control of more than 50% of the voting rights of the issued share capital of the Company or 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 Date”	in relation to a Bond will be deemed to be the Stock Exchange trading day immediately following the later of the date of the surrender of the certificate in respect of such Bond and delivery of such notice of conversion and, if applicable, any payment to be made or indemnity given in connection with the exercise of the conversion right under such Bond

“Conversion Price”	initially HK\$1.00 per Share (subject to adjustment)
“Conversion Ratio”	the conversion ratio is equal to the RMB principal amount of each Bond (translated into Hong Kong dollars at the fixed exchange rate of HK\$1.00 = RMB0.8784) divided by the then Conversion Price
“Conversion Shares”	such new Shares to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Bonds
“Directors”	the directors of the Company
“Early Redemption Amount”	means an amount in respect of each RMB100,000 principal amount of Bonds representing a gross yield of 11% per annum, calculated on a semi-annual basis up to the redemption date adjusted for interest payments on the Bonds
“Group”	the Company and its subsidiaries
“Guarantors”	China Edifice Holdings Ltd., China Edifice Ltd., Go High Investments Limited, Moony Hill Investments Limited, Anderson Land (Shanghai) Limited, Dragon Time Investment Limited, Eastin Resources Limited, Gaken Investment Limited, Golden Bright Resources Limited, Goldfull Enterprises Limited, Jadecorp Investment Limited, Kolsun Enterprises Ltd., Konmen Investment Limited, Lihon Investment Limited, Linhill Investment Limited, Mayson Resources Limited, Onfair Holdings Ltd., Powerland Investment Limited, Prosogo Investment Limited, Shunlink Investment Limited, Sinopower Investment Limited, Starweb Investment Limited, Super-power.com Ltd., Wellton Resources Limited, Wellwide Limited, Wingo Investment Limited, all being subsidiaries of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	1 August, 2008, being the date of the Bond Purchase Agreement;
“Lien”	any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling five years from the Closing Date

“Placing Agent”	UBS Investment Bank, the sole placing agent in respect of the Bonds
“PRC”	the People’s Republic of China
“Rate Calculation Date”	the day which is two Business Days before the due date of the relevant amount
“RMB”	Renminbi, the lawful currency of the PRC
“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)
“Spot Rate”	for each Rate Calculation Date, means a rate determined by the Company in accordance with the Terms and Conditions
“SRE Investment”	SRE Investment Holding Limited, the controlling shareholder of the Company holding approximately 44.84% of the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the purchasers of the Bonds procured by the Placing Agent, namely, Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited, Sculptor Finance (SI) Ireland Limited and Forum Asian Realty Income II, L.P.
“Terms and Conditions”	the terms and conditions of the Bond as set out in Schedule 3 to the Bond Purchase Agreement
“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
“Transaction Documents”	the Bonds, the Bond Purchase Agreement, the trust deed constituting the Bonds, the paying and conversion agency agreement in respect of the Bonds, and all other documents relating to the issue of the Bonds and the transaction contemplated in the Bond Purchase Agreement
“US\$”	United States dollars, the lawful currency of the United States
“US\$ Equivalent Amount”	(i) in respect of a RMB-denominated amount that would be due under the Bonds in RMB, the RMB amount converted into US dollars using the Spot Rate for the relevant Rate Calculation Date; and

(ii) in respect of a Hong Kong dollar-denominated amount that would be due under the Bonds in Hong Kong dollars, the Hong Kong dollar amount converted into US dollars using the Spot Rate for the relevant Rate Calculation Date

“2010 Bonds” the 3.5% convertible redeemable bonds in the aggregate principal amount of HK\$386 million maturing on 9 November 2010 issued by the Company on 9 November 2005

“2013 Notes” the US\$200 million 8.625% Guaranteed Notes due 2013 of the Company

“%” per cent.

By Order of the Board
SRE GROUP LIMITED
Shi Jian
Chairman

Hong Kong, 1 August, 2008

Unless otherwise stated, amounts in RMB have been translated into HK\$ at exchange rates of HK\$1.00 to RMB0.8784 for illustration purposes only. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

In case of any inconsistencies between the English version and the Chinese version of this announcement, the English version shall prevail.

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

* *For identification purpose only*