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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 document or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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**SRE GROUP LIMITED**

**上置集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1207)**

*Directors*

Mr. Shi Jian (*Chairman*)

Mr. Li Yao Min (*Vice-Chairman*)

Mr. Yu Hai Sheng

*(Co-Chairman & Chief Executive Officer)*

Mr. Jiang Xu Dong (*Chief Operation Officer*)

Mr. Shi Pin Ren

Mr. Yue Wai Leung, Stan (*Co-Chief Executive Officer*)

Mr. Cheung Wing Yui #

Mr. Jin Bing Rong #

Mr. Jiang Xie Fu\*

Mr. E. Hock Yap\*

Mr. Zhuo Fumin\*

*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.

# *Non-executive directors*

\* *Independent non-executive directors*

8 June, 2011

*To the shareholders,*

*Dear Sir or Madam,*

**FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER, 2010**

**INTRODUCTION**

On 25 March, 2011, the board of directors (the “Board”) of SRE Group Limited (“the Company”) announced their recommendation of a final dividend for the year ended 31 December, 2010 (the “Final Dividend”) in scrip form to shareholders whose names appear on the register of members of the Company on 26 May, 2011 (the “Record Date”) equivalent to HK\$0.029 per ordinary share of HK\$0.10 of the Company (the “Share”) with an alternative to the shareholders of the Company (the “Shareholders”) to elect to receive the

\* *for identification purpose only*

Final Dividend in cash in lieu of all or part of their scrip dividend entitlements (the “Scrip Dividend Scheme”). At the annual general meeting held on 31 May, 2011, the Final Dividend was approved.

The purpose of this document is to set out the procedures which apply in relation to the Scrip Dividend Scheme and the action which should be taken by Shareholders in relation thereto.

## DETAILS OF THE SCRIP DIVIDEND SCHEME

Under the Scrip Dividend Scheme, each Shareholder has the choice of receiving:

- (a) an allotment of new Shares with a nominal value of HK\$0.10 each (“New Shares”) credited as fully paid and having an aggregate market value (as defined below) equal to, save for adjustment for fractions, the total amount of Final Dividend which such Shareholder could elect to receive in cash in respect of HK\$0.029 per Share; or
- (b) cash of HK\$0.029 per Share; or
- (c) partly cash and partly New Shares.

For the purpose of calculating the number of New Shares to be allotted, the market value of a New Share will be calculated as an amount equal to the average closing price of one Share on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the five trading days (on which such price is available) up to and including 14 June, 2011 (the “Average Closing Price”). Consequently, it will not be possible to determine until the close of business on 14 June, 2011, the exact number of New Shares to which those Shareholders electing to receive New Shares will be entitled. Accordingly, the number of New Shares which Shareholders will receive, in respect of the existing Shares registered in their names as at 26 May, 2011 will be calculated as follows:

$$\text{Number of New Shares to be received} = \frac{\text{Number of existing Shares held on the Record Date for which cash election is not made}}{\text{Average Closing Price}} \times \text{HK\$0.029}$$

An announcement setting out the basis of allotment of the New Shares will be published on the website of the Stock Exchange and the website of the Company on 15 June, 2011. **The last day and time on which Shareholders will be entitled to elect their desired form of Final Dividend is 4:00 p.m. on Thursday, 23 June, 2011.** The number of New Shares to be received will be rounded down to the nearest whole number of the New Shares. Fractional entitlements to New Shares in respect of alternatives (a) and (c) above will be aggregated and sold and the benefit thereof will accrue to the Company. The New Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the existing issued Shares except that they shall not rank for the Final Dividend.

## ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give Shareholders the opportunity to increase their investment in the Company without incurring brokerage fee, stamp duty or dealing costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that the Shareholders do not elect to receive cash in lieu of New Shares, in whole or in part, such cash as would otherwise have been paid to Shareholders will be retained for use as working capital by the Company.

## EFFECT OF THE SCRIP DIVIDEND SCHEME

If all Shareholders elect to receive cash, the total cash dividend payable by the Company would be HK\$124,812,554.63, on the basis of 4,303,881,194 Shares in issue as at the Record Date. The maximum number of Scrip Shares to be issued in respect of the final dividend will be 201,310,571 Shares based on 4,303,881,194 Shares in issue on record date and the closing price of HK\$0.62 as at the close of business on 30 May, 2011.

Shareholders should note that the New Shares to be issued pursuant to the Scrip Dividend Scheme may give rise to notification requirements under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) for those Shareholders who may have notifiable interests (under the SFO, 5% or more interest in the issued share capital) in the Company. **Shareholders who are in any doubt as to how these provisions may affect them as a result of the New Shares received pursuant to the Scrip Dividend Scheme are recommended to seek their own professional advice.**

The Company, being an exempted company incorporated in Bermuda, has been designated as non-resident for Bermuda exchange control purposes and has been granted an assurance by the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966. Accordingly, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital assets, gain or appreciation will be payable by the Company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to Shares, debentures or other obligations of the Company held by non-residents of Bermuda.

## **FORM OF ELECTION**

A Form of Election is enclosed with this document for use by Shareholders who wish to receive the Final Dividend wholly in cash or partly in cash and partly by the issue of New Shares.

**If you elect to receive the Final Dividend wholly in the form of New Shares, you should not complete the Form of Election.**

**If you elect to receive the Final Dividend wholly in cash, or partly cash and partly New Shares, you must use the enclosed Form of Election.** If you complete the Form of Election but do not specify the number of Shares in respect of which you wish to receive cash under the Scrip Dividend Scheme, or if you elect to receive cash in respect of a greater number of Shares than your registered shareholding on the Record Date, you will be deemed to have exercised your election to receive cash in respect of all the Shares of which you were then registered as the holder.

**Form of Election should be completed in accordance with the instructions printed thereon and returned to the Company’s Branch Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 23 June, 2011. No acknowledgment of receipt of the Form of Election will be issued.**

## **OVERSEAS SHAREHOLDER**

The Company has made enquiries with legal counsels where its overseas Shareholder is based regarding possible legal and regulatory restrictions in allowing such overseas Shareholder to participate in the Scrip Dividend Scheme. The Board has been advised by the relevant local counsels that there are no restrictions or requirements on the issue of scrip dividend to its overseas Shareholder.

The issue of New Shares has not been, and will not be, registered under any applicable securities legislation and/or regulation of any territory outside Hong Kong. The participation in the Scrip Dividend Scheme by any overseas Shareholder may be affected by the laws of its/his/ her relevant jurisdiction. No Shareholder receiving a copy of this document and/or a Form of Election in any territory outside Hong Kong may treat the same as an invitation to elect for New Shares unless in the relevant territory such invitation could lawfully be made to it/him/her without the Company having to comply with any registration, governmental or regulatory procedures or any other legal requirements or formalities. Shareholder with a registered address outside Hong Kong or otherwise resident outside Hong Kong should consult its/his/her professional advisers as to whether or not he/she/it is permitted to receive the Final Dividend in the form of an issue of New Shares or if any governmental or other consent is required or other formalities need to be observed, as to the taxation consequences of their decision and as to whether there are any restrictions in relation to future sale of any Shares so acquired.

This document and the Form of Election will not be registered in Hong Kong or in any other jurisdiction.

## **LISTING AND DEALINGS**

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the New Shares to be issued pursuant to the Scrip Dividend Scheme. Subject to the said application being granted by the Stock Exchange, it is expected that share certificates for the New Shares and/or cheques for cash dividend will be posted by ordinary mail to those entitled thereto at their own risk on or around Thursday, 30 June, 2011. Dealings of the New Shares on the Stock Exchange are expected to commence on Tuesday, 5 July, 2011 after despatch to Shareholders of the certificates for the New Shares.

The primary listing of the existing Shares is on the Stock Exchange, and there is no official secondary listing of the existing Shares on any other stock exchange. No listing of, or permission to deal in, any of the existing Shares and/or New Shares on any stock exchange other than the Stock Exchange is being or is proposed to be sought.

Dealings in the New Shares may be settled through the Central Clearing and Settlement System and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

## **RECOMMENDATION AND ADVICE**

Whether or not it is to the Shareholders' advantage to receive New Shares or cash, in whole or in part, depends upon their own individual circumstances. The effect on the tax position of any Shareholder will depend on that Shareholder's particular circumstances. If you are in any doubt as to what to do, you should consult your professional advisers. Shareholders who are trustees are recommended to seek professional advice as to whether the choice to receive cash or New Shares is within their powers and its effect having regard to the terms of the relevant trust instrument.

## **EXPECTED TIMETABLE**

Fix the market value of a New Share (5 trading days average) .....	Wednesday, 8 June, 2011 to Tuesday, 14 June, 2011
Announcement setting out the basis of allotment of the New Shares to be published on the website of the Stock Exchange and the website of the Company .....	Wednesday, 15 June, 2011
Latest time and date for receiving the Form of Election .....	4:00 p.m. on Thursday, 23 June, 2011
Despatch of share certificates for the New Shares and/or cheques for cash dividend .....	Thursday, 30 June, 2011
Commencement of dealings in the New Shares .....	Tuesday, 5 July, 2011

Yours faithfully,  
**SHI Jian**  
Chairman