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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)

DECLARATION OF SPECIAL DIVIDEND

DISTRIBUTION IN SPECIE OF SHARES IN CHINA NEW TOWN DEVELOPMENT COMPANY LIMITED

On 31 August 2012, the Board resolved to distribute a special dividend in the form of a distribution in specie of all the Relevant Shares to the Shareholders whose names appear on the register of members of the Company on the Record Date on a pro-rata basis in proportion to their respective shareholding interest in the Company.

Notwithstanding that it is not a requirement under the Listing Rules nor the bye-laws of the Company, the SGM will be convened for considering and, if thought fit, approving the SRE Distribution.

A circular containing, among other things, further details of the Sinopower Distribution and the SRE Distribution and the notice of the SGM is expected to be despatched by the Company to the Shareholders on or before 3 September 2012.

Reference is made to the interim results announcement of the Company dated 31 August 2012 whereby it was mentioned that the Company proposed to distribute a special dividend in the form of a distribution in specie of all the Relevant Shares to the Shareholders.

* For identification purpose only

THE SRE DISTRIBUTION

On 31 August 2012, the Board resolved to distribute a special dividend in the form of a distribution in specie of all the Relevant Shares, being 2,658,781,817 CNTD Shares currently held by the Company's wholly-owned subsidiary Sinopower, to the Shareholders whose names appear on the register of members of the Company on the Record Date on a pro-rata basis in proportion to their respective shareholding interest in the Company on the following basis:-

for every 3 Shares held 1.408075 CNTD Shares

The above basis of distribution is determined after taking into account the number of existing issued Shares and the number of Relevant Shares and that a Shareholder needs to hold at least three Shares in order that he can be distributed with at least one Relevant Share.

Based on the closing price of HK\$0.33 per CNTD Share as traded on the Stock Exchange on the date of this announcement, the aggregate market value of the Relevant Shares to be distributed under the SRE Distribution as at the date of this announcement is approximately HK\$877,397,999, which equates to a distribution of approximately HK\$0.154888 per Share assuming the number of issued Shares remains unchanged from the date of this announcement until completion of the SRE Distribution.

The Relevant Shares represent approximately 59.20% of the total number of issued CNTD Shares as at the date of this announcement. As the Relevant Shares are currently held by Sinopower, upon passing of the ordinary resolution at the SGM approving the SRE Distribution, Sinopower will first implement the Sinopower Distribution whereby all the Relevant Shares will be distributed to the Company. After the Relevant Shares have been transferred to the Company, the Company will then implement the SRE Distribution.

The Relevant Shares to be distributed pursuant to the SRE Distribution will rank pari passu in all respects with each other and with the remaining CNTD Shares then in issue, save for any dividends or distributions declared, paid or made by CNTD prior to the Record Date. Fractional entitlements to the Relevant Shares pursuant to the SRE Distribution will not be transferred under the SRE Distribution but will be retained by the Company for sale in the market. The proceeds derived therefrom will be retained for the benefit of the Company.

Subject to the passing of the ordinary resolution at the SGM approving the SRE Distribution, it is expected that certificates for the Relevant Shares distributed pursuant to the SRE Distribution will be despatched by ordinary post at the risk of those entitled thereto on or before 9 October 2012.

RIGHTS OF OVERSEAS SHAREHOLDERS

The Relevant Shares will not be transferred to Overseas Shareholders pursuant to the SRE Distribution in the event that the Board, based on legal advice, considers such exclusion to be necessary or expedient on account of either legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in those places. Accordingly, certain Overseas Shareholders (the “**Non-Qualifying Shareholders**”) will not receive the CNTD Shares pursuant to the SRE Distribution. Instead, arrangements will be made for the CNTD Shares which will otherwise have been transferred to such Non-Qualifying Shareholders to be sold in the market and any proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the relevant Non-Qualifying Shareholders except that any amount of less than HK\$100 will be retained for the benefit of the Company.

Based on the register of members of the Company as at the date of this announcement, there were a total of two Overseas Shareholders with registered addresses in Macau (the “**Macau Shareholders**”).

The Board has made enquiries with the Company’s legal adviser on the laws of Macau regarding the feasibility of extending the SRE Distribution to the Macau Shareholders and the Company had been advised that there are no restrictions under the laws of Macau on making the SRE Distribution to the Macau Shareholders and Macau law does not place any limitations, restrictions or prohibitions on the offer of the SRE Distribution to the Macau Shareholders. In view of this, the Board has decided to extend the SRE Distribution to the Macau Shareholders, subject to such Macau Shareholders still being Shareholders on the Record Date.

REASONS FOR AND BENEFITS OF THE SRE DISTRIBUTION

The following matters had been considered by the Board when deciding to implement the SRE Distribution:–

1. The Company had not declared dividends to the Shareholders for over a year as the last time dividends were declared by the Company was for the year ended 31 December 2010. As such, the Board is of the view that the SRE Distribution will allow the Company to show appreciation to and reward the Shareholders for their continuous support of the Company and through the SRE Distribution, the Company will be able to return value to the Shareholders while retaining cash that would otherwise be distributed if a cash dividend were to be declared.
2. The CNTD Group’s financial results have been quite volatile and have been loss making for the financial year of 2011 and the 1st half of 2012. After completion of the SRE Distribution, CNTD Group’s financial results will no longer be consolidated into the Company’s financial statements and will to a less extent affect the Company’s financial results.
3. CNTD was listed on the SGX-ST in 2007 and was listed on the Main Board of the Stock Exchange by way of introduction in October 2010. Since the listing of CNTD on the Stock Exchange, the trading volume of CNTD Shares had not been volatile since most of the public shareholders of CNTD did not move their CNTD Shares to the Hong Kong branch register and continued to trade their CNTD Shares on the SGX-ST. After completion of the SRE Distribution, the Relevant Shares

will be directly held by the Shareholders. With the increase in the number of Hong Kong public shareholders of CNTD, it is hoped that the trading volume of the CNTD Shares on the Stock Exchange will increase.

4. Since CNTD is also listed on the Stock Exchange, the Board is of the view that it would be to the benefit of the Shareholders if they are allowed to directly hold the listed shares of both companies, rather than for the Shareholders to just have an indirect interest in CNTD through their shareholding interest in the Company. Upon completion of the SRE Distribution, the Shareholders will directly hold CNTD Shares, thereby enabling them to participate in the ownership of, and enjoy returns from, the shares of two separate listed companies with different businesses without incurring any extra investment costs on the part of the Shareholders.

In light of the above, the Board considered that the SRE Distribution is in the interests of both the Company and the Shareholders.

FINANCIAL EFFECTS OF THE SRE DISTRIBUTION ON THE GROUP

Earnings

The SRE Distribution will be accounted for as a distribution in specie at carrying value. As such, the Company does not expect any gain or loss to be recognized as a result of the SRE Distribution.

CNTD will, upon completion of the SRE Distribution, cease to be a subsidiary of the Company and the Group will no longer have any interest therein. The financial results of the CNTD Group will cease to be consolidated into the financial statements of the Group. For the half year ended 30 June 2012, the consolidated net profit after tax of the Company amounted to approximately HK\$212,595,000 while CNTD recorded consolidated net loss after tax of approximately RMB32,620,000 (approximately HK\$40,000,000). On the assumption that the SRE Distribution had taken place at the beginning of the said financial period ended 30 June 2012, the consolidated net profit of the Company for the period then ended would increase by the amount of the consolidated net loss of CNTD.

Assets and liabilities

As mentioned above, CNTD's financial results will cease to be consolidated into the Group's financial statements after completion of the SRE Distribution. As such, upon completion of the SRE Distribution, both the total assets and the total liabilities of the Group will be reduced by the respective amounts of the total assets and the total liabilities of the CNTD Group. As at 30 June 2012, the consolidated total assets and consolidated total liabilities of CNTD were approximately RMB11,234,260,000 (approximately HK\$13,741,000,000) and RMB8,237,850,000 (approximately HK\$10,076,000,000) respectively.

SHAREHOLDING STRUCTURE OF CNTD

The following table sets out the shareholding structure of CNTD (a) as at the date of this announcement; (b) immediately after completion of the Sinopower Distribution and (c) immediately after completion of the SRE Distribution, assuming that the number of issued CNTD Shares remains unchanged during the entire period:

	As of the date of this announcement		Immediately after completion of the Sinopower Distribution		Immediately after completion of the SRE Distribution	
	No. of CNTD Shares held	Approx. %	No. of CNTD Shares held	Approx. %	No. of CNTD Shares held	Approx. %
Sinopower the Company	2,658,781,817	59.20	0	0	0	0
SREI	0	0	2,658,781,817	59.20	0	0
			0	0	1,468,356,862	32.70
Directors of the Company						
Shi Jian	0	0	0	0	6,104,939	0.14
Li Yao Min	4,147,500	0.09	4,147,500	0.09	6,575,173	0.15
Yu Hai Sheng	0	0	0	0	2,926,961	0.06
Other shareholders of CNTD	1,827,911,859	40.71	1,827,911,859	40.71	3,006,877,241	66.95
					(Note)	
	<u>4,490,841,176</u>	<u>100</u>	<u>4,490,841,176</u>	<u>100</u>	<u>4,490,841,176</u>	<u>100</u>

Note: Of these 3,006,877,241 CNTD Shares, 1,090 CNTD Shares and 75,097 CNTD Shares representing approximately 0.000024% and 0.0017% of the total number of issued CNTD Shares respectively are held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian, director of the Company, and Md. He Pei Pei, the spouse of Mr. Zhuo Fu Min, an independent non-executive director of the Company.

SREI, the controlling shareholder of the Company, holds approximately 55.23% of the issued share capital of the Company as at the date of this announcement. Accordingly, SREI's effective interest in CNTD is approximately 32.70%. Assuming the number of issued CNTD Shares remains unchanged from the date of this announcement until completion of the SRE Distribution, immediately after completion of the SRE Distribution, SREI will directly hold approximately 32.70% of the total number of issued CNTD Shares.

Upon completion of the SRE Distribution, Sinopower and the Company will no longer have any shareholding interests in CNTD, CNTD will cease to be a subsidiary of the Company and CNTD Group's financial results will no longer be consolidated into the Company's financial statements.

INFORMATION ON CNTD AND THE GROUP

CNTD is a limited liability company incorporated in the British Virgin Islands which shares are listed on both the Main Board of the Stock Exchange and the SGX-ST. The principal business of the CNTD Group is the planning and development of large scale new town projects in Shanghai, Wuxi and Shenyang, the PRC.

The audited consolidated net profit before and after taxation of CNTD for the year ended 31 December 2010 was RMB550,157,000 (approximately HK\$673,000,000) and RMB361,582,000 (approximately HK\$442,000,000) respectively and the audited consolidated net loss before and after taxation of CNTD for the year ended 31 December 2011 was RMB239,656,000 (approximately HK\$293,000,000) and RMB233,180,000 (approximately HK\$285,000,000) respectively.

The Group is mainly engaged in real estate development, large-scale new towns planning and development, property leasing and hotel operations in the PRC. After completion of the SRE Distribution, the Remaining Group will continue to be mainly engaged in real estate development, property leasing and hotel operations in the PRC.

In the recent years, the Group has continued to strengthen its market position as an integrated real estate developer specializing in property development business. With Shanghai remaining to be the base for its real estate business, the Group will continue to be extending its property portfolio to other high-growth markets, including Shenyang and Haikou, which have strong economic development potential. While the Group continues to be a real estate developer focusing on medium and high-end residential properties, it targets to build more high-quality commercial properties such as office buildings, hotels and shopping malls, aiming to become a fully integrated trans-regional real estate developer.

SGM

Notwithstanding that it is not a requirement under the Listing Rules nor the bye-laws of the Company, the SGM will be convened for, amongst others, considering and, if thought fit, to approve the SRE Distribution. No Shareholders or their associates are required to abstain from voting in respect of the ordinary resolution to be proposed at the SGM to approve the SRE Distribution.

A circular containing, among other things, further details of the Sinopower Distribution and SRE Distribution and the notice of the SGM is expected to be despatched by the Company to the Shareholders on or before 3 September 2012.

EXPECTED TIMETABLE FOR THE SRE DISTRIBUTION

The expected timetable for the implementation of the SRE Distribution is as follows:

Date of SGM.	Friday, 21 September 2012
Last day of dealing in the Shares on a cum entitlement basis to the SRE Distribution.	Monday, 24 September 2012
Commencement of dealing in the Shares on an ex-entitlement basis to the SRE Distribution.	Tuesday, 25 September 2012
Latest time for lodging transfer of the Shares for entitlements to the SRE Distribution	4:30 p.m. on Wednesday, 26 September 2012
Closure of register of members of the Company	Thursday, 27 September 2012 to Friday, 28 September 2012
Record Date	Friday, 28 September 2012
Register of members of the Company re-opens	Wednesday, 3 October 2012
Despatch of certificates in relation to the Relevant Shares distributed pursuant to the SRE Distribution to Shareholders on or before.	Tuesday, 9 October 2012

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

The register of members of the Company will be closed from Thursday, 27 September 2012 to Friday, 28 September 2012, both days inclusive, during which period no transfer of Shares will be effected.

All transfers, accompanied by the relevant certificates of the Shares, must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 26 September 2012 in order to qualify for the SRE Distribution.

DEFINITIONS

Unless otherwise defined, the following expressions have the following meanings in this announcement:

“Board”	the board of directors of the Company
“CNTD”	China New Town Development Company Limited, a company incorporated in the British Virgin Islands with limited liability and the shares of which are listed on the Stock Exchange and the SGX-ST
“CNTD Group”	CNTD and its subsidiaries
“CNTD Share(s)”	share(s) of no par value in CNTD
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on such register on that date is(are) in a place outside of Hong Kong
“PRC”	the People’s Republic of China (excluding for the purpose of this announcement Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC)
“Record Date”	28 September 2012
“Relevant Shares”	2,658,781,817 CNTD Shares, representing approximately 59.20% of the total number of issued CNTD Shares as at the date of this announcement
“Remaining Group”	the Group after completion of the SRE Distribution

“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened and held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 21 September 2012 at 10:00 a.m. for the purpose of considering, and if thought fit, approving the SRE Distribution
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Share(s)”	share(s) of HK\$0.10 each in the Company
“Shareholder(s)”	holder(s) of Shares
“Sinopower”	Sinopower Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sinopower Distribution”	the proposed distribution of a dividend by Sinopower to its sole shareholder, the Company, in the form of a distribution in specie of all the Relevant Shares held by Sinopower to the Company
“SRE Distribution”	the proposed distribution of a special dividend by the Company to the Shareholders in the form of a distribution in specie of all the Relevant Shares to the Shareholders whose names appear on the register of members of the Company on the Record Date on a pro-rata basis in proportion to their respective shareholding interest in the Company
“SREI”	SRE Investment Holding Limited, the controlling shareholder of the Company holding approximately 55.23% of the issued share capital of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the board of directors of
SRE Group Limited
Shi Jian
Chairman

Hong Kong, 31 August 2012

As at the date hereof, the Board comprises seven executive directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong, Mr. Shi Pin Ren, Mr. Zhang Hongfei and Mr. Shi Lizhou; two non-executive directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong and four independent non-executive directors, namely Mr. Jiang Xie Fu, Mr. Zhuo Fumin, Mr. Yuan Pu and Mr. Chan, Charles Sheung Wai.

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.8176 = HK\$1 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.