

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.*

*This announcement does not constitute or form a part of any offer of securities for sale in the United States. The securities referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. No public offering of the securities will be made in the United States.*



**(1) PROPOSED PLACING OF EXISTING SHARES AND  
TOP-UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

**(2) PROPOSED ISSUE OF RMB DENOMINATED USD SETTLED 6%  
CONVERTIBLE BONDS DUE 2014 CONVERTIBLE INTO  
THE SHARES OF THE COMPANY**

**AND (3) RESUMPTION OF TRADING**

**PLACING AGENTS AND JOINT BOOKRUNNERS**



Reference is made to the announcements issued by the Company on 9 June 2009 and 22 June 2009, and the circular issued by the Company on 26 June 2009. Unless otherwise defined herein, all terms and expressions in this announcement shall have the meaning ascribed to them in the Circular.

## THE PLACING AND SUBSCRIPTION

On 29 June 2009, the Placing Agents, the Vendor and the Company entered into the conditional Placing and Subscription Agreement pursuant to which the Vendor agreed to place, through the Placing Agents and the Placing Agents agreed to procure subscription, on a best efforts basis, of 520,000,000 Placing Shares, to not fewer than six Placees at a price of HK\$0.96 per Placing Share. The Placees and their ultimate beneficial owners are Independent Third Parties. The Placees and their ultimate beneficial owners are also independent of, and do not act in concert with, the Vendor.

Pursuant to the Placing and Subscription Agreement, the Vendor agreed to subscribe for, and the Company agreed to allot and issue to the Vendor, the Subscription Shares at the Subscription Price, being HK\$0.96 per Subscription Share, which is the same as the Placing Price.

The maximum aggregate number of 520,000,000 Placing Shares represents: (i) approximately 17.72% of the existing issued share capital of the Company of 2,933,881,195 Shares as at the date of this announcement; and (ii) approximately 15.06% of the issued share capital of the Company of 3,453,881,195 Shares as enlarged by the allotment and issue of the Subscription Shares.

The Placing Price of HK\$0.96 per Share represents: (i) a discount of approximately 8.57% over the average closing price of approximately HK\$1.05 per Share as quoted on the Stock Exchange for the five Trading Days up to and including 26 June 2009, being the Trading Day immediately before the date of the Placing and Subscription Agreement; and (ii) a discount of 10.28% over the closing price of HK\$1.07 per Share as quoted on the Stock Exchange on 29 June 2009, being the Trading Day on the date of the Placing and Subscription Agreement.

The maximum gross proceeds from the Subscription will be approximately HK\$499.2 million, and after deducting the placing commission and related expenses, the maximum aggregate net proceeds from the Subscription will be approximately HK\$482.7 million. The net price to be raised per Share upon completion of the Subscription will be approximately HK\$0.93 per Share.

The Subscription is conditional upon, inter alia: (i) the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; (ii) completion of the Placing having occurred in accordance with the terms of the Placing and Subscription Agreement; and (iii) the SFC granting the Vendor the Waiver.

**Completion of the Placing and Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Placing may be terminated in certain circumstances. Please refer to the Section headed “Completion of Placing and Termination” and “Conditions of Subscription” below for further information.**

## **PROPOSED ISSUE OF THE BONDS**

On 29 June 2009, the Company entered into the Bonds Subscription Agreement with the Joint Bookrunners, pursuant to which each of the Joint Bookrunners agreed to use its best efforts to procure investors to subscribe and pay for the Bonds to be issued by the Company in an aggregate principal amount of up to RMB446.9 million (equivalent to approximately HK\$506.8 million).

Based on an initial Conversion Price of HK\$1.056 per Share and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds (assuming subscription for the full amount of RMB446.9 million and translated into HK\$ at the fixed exchange rate of HK\$1.00 = RMB0.8818) will be convertible into 479,928,280 Shares, representing (i) approximately 16.36% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 13.90% of the enlarged issued share capital of the Company immediately after completion of the Placing and the Subscription; and (iii) approximately 12.20% of the issued share capital of the Company as enlarged by the full conversion of the Bonds and upon completion of the Placing and Subscription. The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

**Completion of the Bonds Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Bonds Subscription Agreement may be terminated in certain circumstances. Please refer to the Section headed “Bonds Subscription Agreement” below for further information.**

The Bonds and the Conversion Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside the United States in reliance on Regulation S under the Securities Act.

The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies Ordinance.

Application has been made to the Stock Exchange for the listing of the Bonds as selectively marketed securities. The Shares are listed on the Stock Exchange and application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The gross proceeds from the Bonds Issue are expected to be approximately RMB446.9 million (equivalent to approximately HK\$506.8 million), and after deducting related expenses and commissions, the Company will receive maximum net proceeds of approximately RMB432.1 million (equivalent to approximately HK\$490 million).

## **RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares and the Notes on the Stock Exchange has been suspended from 2:30 p.m. on 29 June 2009 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares and the Notes on the Stock Exchange from 9:30 a.m. on 30 June 2009.

**As the Placing and Subscription Agreement and/or the Bonds Subscription Agreement may or may not complete, potential investors are advised to exercise caution when dealing in the Shares.**

Reference is made to the announcements issued by the Company on 9 June 2009 and 22 June 2009, and the circular issued by the Company on 26 June 2009. Unless otherwise defined herein, all terms and expressions in this announcement shall have the meaning ascribed to them in the Circular.

## **THE PLACING AND SUBSCRIPTION**

### **The Placing and Subscription Agreement**

**(a) Date:** 29 June 2009

**(b) Parties:**

- (i) The Company;
- (ii) The Vendor; and
- (iii) The Placing Agents (who are not connected persons of the Company or Vendor under the Listing Rules).

## **The Placing**

### **(c) Number of shares to be placed:**

The Placing Agents have conditionally agreed to place 520,000,000 Placing Shares on a best effort basis.

### **(d) Placees:**

The Placing Agents agreed to place the Placing Shares to not fewer than six Placees who are independent institutional or other professional investors. The Placees and their ultimate beneficial owners are Independent Third Parties. The Placees and their ultimate beneficial owners are also independent of, and do not act in concert with, the Vendor. Immediately after completion of the Placing, none of the Placees will become a substantial shareholder (as defined in the Listing Rules) of the Company.

### **(e) The Placing Shares:**

The maximum aggregate number of 520,000,000 Placing Shares represents: (i) approximately 17.72% of the existing issued share capital of the Company of 2,933,881,195 Shares as at the date of this announcement; and (ii) approximately 15.06% of the issued share capital of the Company of 3,453,881,195 Shares as enlarged by the allotment and issue of the Subscription Shares.

The Placing Shares rank *pari passu* among themselves and with Shares in issue as at the date of this announcement.

### **(f) Placing Price:**

The Placing Price of HK\$0.96 per Share represents:

- (i) a discount of approximately 8.57% over the average closing price of approximately HK\$1.05 per Share as quoted on the Stock Exchange for the five Trading Days up to and including 26 June 2009, being the Trading Day immediately before the date of the Placing and Subscription Agreement; and
- (ii) a discount of 10.28% over the closing price of HK\$1.07 per Share as quoted on the Stock Exchange on 29 June 2009, being the Trading Day on the date of the Placing and Subscription Agreement.

The Placing Price was determined after arm's length negotiation between the Company, the Vendor and the Placing Agents on the date of the Placing and Subscription Agreement with reference to the prevailing market price of the Shares. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

**(g) Completion of the Placing and Termination:**

Completion of the Placing will take place on the Placing Completion Date.

The Placing and Subscription Agreement contains provisions granting the Placing Agents the right to terminate their placing obligations on the occurrence of certain events including force majeure, any adverse change in the general affairs or financial or trading position of the Company or its subsidiaries which is materially adverse to the success of the Placing, or any breach of the warranties in the Placing and Subscription Agreement in each case occurring prior to 12:00 noon on the Placing Completion Date. For this purpose, such event includes any material adverse change in local, national or international political, military, industrial, financial, economic, fiscal, regulatory or stock market conditions. If the Placing Agents exercise such right to so terminate the Placing, the Placing will not proceed. Shareholders and investors are advised to exercise caution in dealing in the Shares of the Company.

**(h) Lock-up Undertakings:**

The Vendor undertakes to the Placing Agents that, except for the sale of the Placing Shares pursuant to the Placing and Subscription Agreement, or any share lending by the Vendor to facilitate the hedging of any Bonds issued by the Company, and unless with the prior written consent of the Placing Agents, for a period commencing from the date of the Placing and Subscription Agreement and ending on the 90th day from the Placing Completion Date, it will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will: (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares) or any interests therein beneficially owned or held by the Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests; (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (iii) announce any intention to enter into or effect any such transaction described in (i) and (ii) above.

The Company undertakes to the Placing Agents that, except (a) for the issue and allotment of the Subscription Shares, (b) pursuant to the terms of any employee share option scheme of the Company, (c) for any bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with its articles of association, (d) for the issue of any convertible bonds pursuant to the Bonds Issue, (e) for the issue of the Conversion Shares, (f) for the issue and allotment of Shares in connection with the 2008 Convertible Bonds or (g) with the prior written consent of the Placing Agents, for a period commencing from the date of the Placing and Subscription Agreement and ending on the 90th day from the Placing Completion Date, it will not: (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into

or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares; (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above, or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

## **The Subscription**

### **(i) Subscription Shares:**

The maximum aggregate number of 520,000,000 Shares, representing approximately 17.72% of the Company's existing issued share capital as at the date of this announcement, or approximately 15.06% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

### **(j) Subscription Price:**

The Subscription Price is HK\$0.96 per Subscription Share, which is the same as the Placing Price. The total subscription moneys to be paid by the Vendor to the Company for the Subscription Shares shall be the aggregate Subscription Price of the Subscription Shares less the expenses properly incurred by the Company in connection with the Placing and Subscription. The net price per Subscription Share amounts to approximately HK\$0.93.

### **(k) Ranking:**

The Subscription Shares will, when fully paid, upon issue, rank *pari passu* in all respects with the existing issued Shares, including the right to receive all dividends and distributions declared, made or paid at any time after the date of issue of the Subscription Shares.

### **(l) Conditions of the Subscription:**

Completion of the Subscription is conditional on the following conditions being satisfied, or to the extent permitted, waived (the "**Subscription Conditions**"):

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- (ii) completion of the Placing having occurred in accordance with the terms of the Placing and Subscription Agreement; and
- (iii) the SFC granting the Vendor the Waiver.

The Vendor has applied to the SFC for the Waiver, and the Company will apply to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Subscription Shares.

**(m) Completion of the Subscription:**

Completion of the Subscription shall take place on the Subscription Completion Date.

**(n) General Mandate to issue the Subscription Shares:**

The Subscription Shares will be allotted and issued pursuant to the General Mandate. The total number of issued Shares as at the date of the AGM was 2,933,881,195 Shares. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to allot and issue are 586,776,239 Shares (up to 20% of the then issued share capital of the Company as at the AGM). Since the date of the AGM and up to date of this announcement, no new Shares have been allotted and issued by the Company pursuant to the General Mandate.

**BONDS ISSUE**

**The Bonds Subscription Agreement**

**(a) Date:** 29 June 2009

**(b) Parties:**

- (i) The Company; and
- (ii) The Joint Bookrunners

**(c) Proposed Bonds Issue**

Subject to the fulfillment of the conditions set out below under the section headed “Conditions Precedent to the Bonds Subscription Agreement”, each of the Joint Bookrunners has agreed to use its best efforts to procure investors to subscribe and pay for the Bonds with an aggregate principal amount of up to RMB446.9 million (equivalent to approximately HK\$506.8 million).

**(d) Conversion of the Bonds**

Based on an initial Conversion Price of HK\$1.056 per Share and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds (assuming subscription for the full amount of RMB446.9 million and translated into HK\$ at the fixed exchange rate of HK\$1.00 = RMB0.8818) will be convertible into 479,928,280 Shares, representing (i) approximately 16.36% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 13.90% of the enlarged issued share capital of the Company immediately after completion of the Placing and the Subscription; and (iii) approximately 12.20% of the issued share capital of the Company as enlarged by the full conversion of the Bonds and upon completion of the Placing and Subscription. The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.



The initial Conversion Price of HK\$1.056 per Share represents (i) a discount of 1.31% over the closing price of HK\$1.07 per Share as quoted on the Stock Exchange on 29 June 2009, being the Trading Day on the date of the Bonds Subscription Agreement, (ii) a premium of approximately 0.57% over the average closing price of approximately HK\$1.05 per Share as quoted on the Stock Exchange for the five Trading Days up to and including 26 June 2009, being the Trading Day immediately before the date of the Bonds Subscription Agreement and (iii) a discount of approximately 1.31% over the average closing price of approximately HK\$1.07 per Share as quoted on the Stock Exchange for the ten Trading Days up to and including 26 June 2009, being the Trading Day immediately before the date of the Bonds Subscription Agreement respectively.

**(e) Offering of the Bonds**

The Bonds will be offered and sold outside the United States in reliance upon Regulation S of the Securities Act. None of the Bonds will be offered to the public in Hong Kong nor will they be placed to any connected persons (as defined in the Listing Rules) of the Company. The Joint Bookrunners are not connected persons of the Company under the Listing Rules for the purposes of the Bonds Issue.

The Bonds will be offered and sold to not less than six persons whose ordinary business involves buying, selling or investing in securities outside the United States in reliance upon Regulation S of the Securities Act. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the placees (and their respective ultimate beneficial owners) are and will be independent of the Company and its connected persons.

In connection with the proposed Bonds Issue, the Joint Bookrunners and their affiliates may also, for their own account, enter into asset swaps, credit derivatives or other derivative transactions relating to the Bonds and/or the Conversion Shares at the same time as the offer and sale of the Bonds or in secondary market transactions (including synthetic short positions for investors of the Bonds).

**(f) Lock-up Undertaking**

The Company has undertaken with the Joint Bookrunners that neither it nor any of its Subsidiaries or affiliates over which they exercise management or voting control, nor any person acting on behalf of any of them will, for a period from the date of the Bonds Subscription Agreement up to 90 days after the Closing Date, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal), 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) except for (a) the issue and allotment of the Shares pursuant to the Placing, (b) the grant of share-based awards pursuant to the terms of any employee share option scheme of the Company, (c) the grant of any bonus or scrip dividend or enter into similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend

on Shares in accordance with the Company's articles of association, (d) the issue of the Conversion Shares, (e) the issue and allotment of Shares in connection with the 2008 Convertible Bonds, or (f) with the prior written consent of the Joint Bookrunners.

Each of the Controlling Shareholder and Members of the Management will execute a lock-up agreement whereby it or he undertakes not to sell any Shares or enter into other transactions with a similar effect for a period from the date of the Bonds Subscription Agreement until 90 days after the Closing Date.

**(g) Closing Conditions to the Bonds Subscription Agreement**

Closing is subject to fulfillment of, among others, the following conditions:

- (1) the Joint Bookrunners shall have been satisfied with the results of its due diligence investigations on the Company and its Subsidiaries for the purposes of the preparation of the Offering Circular, and the Offering Circular shall have been prepared in form and content satisfactory to the Joint Bookrunners;
- (2) the Trust Deed and the Paying, Conversion and Transfer Agency Agreement, each in a form reasonably satisfactory to the Joint Bookrunners, shall have been executed by all parties thereto on or prior to the Closing Date;
- (3) the Stock Exchange shall have agreed, subject to any conditions reasonably satisfactory to the Joint Bookrunners, to list the Bonds and the Conversion Shares upon conversion of the Bonds (or, in each case, the Joint Bookrunners being satisfied that such listing will be granted);
- (4) upon the Publication Date and on the Closing Date, there shall have been delivered to the Joint Bookrunners comfort letters, dated the Publication Date in the case of the first letter and dated the Closing Date in the case of subsequent letters, from Ernst & Young, Certified Public Accountants to the Company, in a form satisfactory to the Joint Bookrunners;
- (5) the Share Lender shall have delivered all the shares deliverable to the Share Borrowers under the Stock Borrow Agreements;
- (6) on or prior to the Closing Date, there shall have been delivered to each of the Joint Bookrunners, each in a form satisfactory to each of the Joint Bookrunners, opinions, dated the Closing Date, and such other resolutions, consents, authorities and documents relating to the issue of the Bonds, as each of the Joint Bookrunners may reasonably require;
- (7) at the Closing Date (i) the representations and warranties of the Company herein shall be true, accurate and correct in all respects at, and as if made on such date; (ii) the Company shall have performed all of its obligations hereunder expressed to be performed on or before such date; and (iii) there shall have been delivered to the Joint Bookrunners a certificate, dated as of such date, of a duly authorised officer of the Company to such effect; and

(8) at the Closing Date there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the condition (financial or other), prospects, operations, business or properties of the Company or the Group, take as a whole, the effect of which, in the opinion of the Joint Bookrunners, is material and adverse and which makes it, in the opinion of the Joint Bookrunners, impracticable to market the Bonds on the terms and in the manner contemplated herein,

provided that the Joint Bookrunners may, at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of the above closing conditions.

**(h) Termination**

Each of the Joint Bookrunners may, by notice to the Company given at any time prior to payment of the net subscription monies for the Bonds to the Company, terminate the Bonds Subscription Agreement in any of the following circumstances:

- (1) if there shall have come to the notice of the Joint Bookrunners any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Bonds Subscription Agreement or any failure by the Company to perform any of its undertakings or agreements in the Bonds Subscription Agreement;
- (2) if any of the conditions precedent in paragraph (g) above has not been satisfied or waived by each of the Joint Bookrunners;
- (3) if there shall have been, since the date of the Bonds Subscription Agreement:
  - (i) any material adverse change in the financial condition or in the prospects, earnings, business or operations, undertakings, assets or properties, of the Company and the Subsidiaries, taken as a whole; or
  - (ii) any introduction of or any change in any statute, regulation, order, policy or directive (whether or not having the force of law and including, without limitation, any directive or request issued by the Stock Exchange) or in the interpretation or application thereof by any court or other competent authority, which in the opinion of the Joint Bookrunners makes it impractical to market the Bonds; or
  - (iii) 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 would in each of the Joint Bookrunners' view be likely to prejudice materially the success of the Bonds Issue or the distribution of the Bonds or dealings in the Bonds in the secondary market; or

- (iv) 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 would in each of the Joint Bookrunners' view be likely to prejudice the success of the Bonds Issue and distribution of the Bonds or dealings in the Bonds in the secondary market; or
- (v) any change or any development involving a prospective change in taxation or exchange control in Hong Kong, the PRC or Bermuda, which, in each of the Joint Bookrunners' view would or would be likely have a material adverse effect on the financial position of the Company or the Subsidiaries, taken as a whole, or the terms of the Bonds; or
- (vi) an outbreak or escalation of hostilities or act of terrorism which would in each of the Joint Bookrunners' view be likely to prejudice the success of the Bonds Issue or the distribution of the Bonds or dealings in the Bonds in the secondary market; or
- (vii) a suspension or limitation of trading in securities generally on the Shanghai Stock Exchange, the New York Stock Exchange, the Nasdaq Stock Market, Inc., the London Stock Exchange plc or the Stock Exchange; or
- (viii) a suspension in trading in the Company's securities on the Stock Exchange, which would in the Joint Bookrunners' view be likely to prejudice the success of the Bonds Issue or the distribution of the Bonds or dealings in the Bonds in the secondary market.

Subject to the foregoing, completion of the subscription and issue of the Bonds will take place on the Closing Date. The Directors consider that the terms and conditions of the Bonds Subscription Agreement and the Bonds are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **PRINCIPAL TERMS OF THE BONDS**

The principal terms of the Bonds are summarized as follows:

Issuer:	The Company
Aggregate principal amount:	Up to RMB446.9 million.
Issue Price:	The Bonds are expected to be issued at 100% of the aggregate principal amount of the Bonds and to be settled in USD at the exchange rate of USD1.00 = RMB6.8340
Structure:	To be sold in a transaction exempt from registration under the U.S. Securities Act of 1933, as amended.

Number of Places:	Not less than six places that are independent institutional, corporate or private investors and each of them and their respective ultimate beneficial owners will be an Independent Third Party prior to and immediately after completion of the issue of the Bonds.
US Dollar Settlement	All amounts due under the Bonds shall be payable and settled in US dollars only, using the Spot Rate for exchange of RMB into US dollars five business days before the payment due date (the “US Dollar Equivalent Amount”)
Maturity Date:	On or about July 23, 2014 (5 year term)
Conversion:	Bondholders are able to convert the outstanding principal amount of the Bonds in whole or in part into Shares at any time, on or after the 41st day after the closing date of the Bonds, until the close of business on the date which falls 10 days prior to the Maturity Date, unless previously redeemed, converted or purchased and cancelled.
Conversion Ratio:	The aggregate principal amount of the Bonds (converted into HK\$ at the fixed exchange rate of HK\$1.00 = RMB0.8818) divided by the initial Conversion Price.
Conversion Price:	HK\$1.056 per Share.
Adjustments to the Conversion Price:	The Conversion Price will be adjusted for subdivisions, consolidations or reclassification of shares; capitalisation of profits; capital distribution; stock dividends; any other dividends or distributions on the Shares (including distributions of Shares, evidences of indebtedness, cash, securities, or any other assets); rights issues; and distribution of cash or other consideration in respect of a tender offer or exchange offer for all or any portion of the Shares.
Interest rate:	The Bonds will bear interest at a fixed rate of 6% per annum. Interest will be payable semi-annually in arrear.
Early redemption at option of the Company:	The Company has the option to redeem the Bonds if at least 90% in aggregate principal amount of the Bonds has already been converted, redeemed or purchased and cancelled, at the US Dollar Equivalent Amount of 100% of the principal amount of the Bonds, plus accrued and unpaid interest.

Early redemption at option of the Bondholders:	On or after July 23, 2012, a Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem all but not some only of that Bondholder's Notes at a redemption price equal to the US Dollar Equivalent of 100% of the aggregate principal amount of such Bonds, plus accrued and unpaid interest.
Tax redemption and Non-redemption right:	The Company may redeem all but not some of the Bonds in the event of certain changes in taxation laws of Bermuda, Hong Kong or other relevant jurisdiction at a redemption price equal to the US Dollar Equivalent Amount of 100% of the principal amount of the Bonds, together with any accrued but unpaid interest to the date of redemption.  If the Company exercises its tax redemption right, each holder of the Bonds shall have the right to elect that all of his or her Bonds shall not be redeemed. Upon the exercise of the non-redemption right with respect to such Bonds, no additional amounts payable under the tax gross-up provision of the Bonds shall be payable on the payments due after the relevant date in respect of such Bonds and such payment shall be made subject to any deduction or withholding of any tax required to be deducted or withheld.
Redemption upon Delisting or Change of Control:	Each Bondholder has the option to require the Company to redeem all but not some only of his or her Bonds upon (i) the Shares ceasing to be listed on the Stock Exchange or (ii) the occurrence of certain events amounting to a change of control with respect to the Company, in each case at the US Dollar Equivalent Amount of 100% of the principal amount of the Bonds plus accrued and unpaid interest.
Voting rights:	Bondholder will not be entitled to receive notice of, attend or vote at any general meeting of the Company.
Listing:	The Company will apply to the Stock Exchange for the listing of and permission to deal in the Conversion Shares which fall to be allotted and issued upon exercise of the Conversion Rights on the Stock Exchange. Application has been made to the Stock Exchange for the listing of the Bonds as selectively marketed securities.
Denomination:	RMB denominated USD settled

Ranking of Bonds and  
Conversion Shares:

The Bonds are expected to constitute direct, unconditional, unsubordinated and unsecured obligations of the Company. The Bonds shall rank *pari passu* in all respects among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company. The Conversion Shares, when fully paid and allotted, will rank *pari passu* in all respects with the then Shares in issue on the date of allotment and issue of the relevant Conversion Shares.

Negative Pledge:

The Company will undertake that, for so long as any of the Bonds remains outstanding or any amount remains due under the Trust Deed, it will not, and it will procure that none of its subsidiaries will, create or permit to subsist any lien, security interest or encumbrance upon the whole or any part of their present or future assets (including revenues) to secure any Relevant Indebtedness, unless the Company shall, at the same time of granting the lien, security interest or encumbrance over any such asset, grant to the trustee for the Bonds either (a) the same lien, security interest or encumbrance over such asset or (b) a lien, security interest or encumbrance over another asset as the holders of the Bonds may approve pursuant to an extraordinary resolution of such holders.

Events of Default:

If any of the following events occurs on the part of or against the Company, it will constitute an Event of Default (subject to the expiry of applicable cure periods) and may result in the acceleration of the Company's obligation to pay principal amount and accrued but unpaid interest under the Bonds:

- (a) delay of more than 3 days in payment under the Bonds;
- (b) delay of more than 3 days in delivering the Shares when and as they are required to be delivered upon conversion;
- (c) breach under the Bonds or the Trust Deed that is incurable or not cured within 30 days upon the Trustee's written notice;
- (d) insolvency, bankruptcy, proposal of debt restructuring;
- (e) cross-default by virtue of acceleration of indebtedness greater than US\$5 million;
- (f) seizure of material assets;
- (g) winding up, dissolution, judicial management or administration;
- (h) enforcement of encumbrance on material assets; and
- (i) it becoming unlawful for the Company to perform its obligations under the Bonds, or such obligations becoming not legally binding and enforceable against the Company.

The Directors believe that the above terms of the Bonds do not deviate from the indicative principal terms of the proposed convertible notes described under the Section headed "Indicative Principal Terms of the Convertible Notes" of the Circular.

**General Mandate and Proposed Specific Mandate**

The Conversion Shares to be issued and allotted pursuant to conversion of the Bonds will be issued and allotted under the General Mandate and the proposed Specific Mandate (if approved by the Shareholders at the SGM).



## **REASON FOR THE PLACING AND THE BONDS ISSUE AND USE OF PROCEEDS**

The maximum gross proceeds from the Subscription will be approximately HK\$499.2 million, and after deducting the placing commission and related expenses, the maximum aggregate net proceeds from the Subscription will be approximately HK\$482.7 million. The net price to be raised per Share upon completion of the Subscription will be approximately HK\$0.93 per Share.

The gross proceeds from the Bonds Issue are expected to be approximately RMB446.9 million (equivalent to approximately HK\$506.8 million), and after deducting related expenses and commissions, the Company will receive maximum net proceeds of approximately RMB432.1 million (equivalent to approximately HK\$490 million).

The Company had announced, on 9 June 2009, among other things, (i) the commencement of Tender Offer and Consent Solicitation for the Notes, and (ii) the proposed Specific Mandate. On 26 June 2009, the Company issued the Circular to provide its Shareholders with (i) further information on the proposed Specific Mandate, and (ii) notice of the SGM to be convened for the purpose of approving the proposed Specific Mandate.

The principal purpose of the Tender Offer and Consent Solicitation is to acquire all outstanding Notes in order to reduce the future interest expense of the Company, to eliminate substantially all of the restrictive covenants and to modify certain of the events of default and other provisions contained in the trust deed governing the Notes (as described in the paragraph immediately following this sentence).

The proposed amendments to the trust deed governing the Notes will remove the restrictions imposed by such trust deed on the Company's and its restricted subsidiaries' ability to incur additional indebtedness, make restricted payments, make dividend payments or other distributions, sell assets, issue or sell capital stock in the restricted subsidiaries, create liens on their assets, issue guarantees, enter into transactions with shareholders and affiliates, enter into sale-leaseback transactions, and engage in certain business activities. The requirement of the Company to make an offer to repurchase the Notes upon certain change of control events will also be eliminated. All events of defaults under the Notes will be eliminated, except for the failure to pay principal of and interest on the Notes; any guarantees given with respect to the Notes becoming unenforceable or invalid, or ceasing to be in full force and effect; and certain events of bankruptcy and insolvency.

The total amount of (i) the maximum aggregate net proceeds from the Subscription of approximately HK\$482.7 million, and (ii) the aggregate net proceeds from the Bonds Issue of approximately RMB432.1 million (equivalent to approximately HK\$490 million) is intended to be used by the Company to fund the amounts payable under the Tender Offer and Consent Solicitation.

Accordingly, the Directors consider the Placing and the Bonds Issue to be in the interest of the Company and the Shareholders as a whole.

The Placing and Subscription Agreement and the Bonds Subscription Agreement are not inter-conditional, and the completion of the Placing and the Subscription are intended to be completed prior to, and are not conditional upon, the closing under the Bonds Subscription Agreement. In the event the Placing and the Subscription are completed and the closing under the Bonds Subscription Agreement does not occur, the Company may obtain the requisite funds to complete the Tender Offer and Consent Solicitation through its internal cash flows and other sources available to it.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

As disclosed in the Company's announcement dated 15 December 2008, the Company entered into a purchase agreement dated 15 December 2008 with, among others, Well Fortune Investments Limited and CITIC Capital China Access Fund Limited, pursuant to which Well Fortune Investments Limited and CITIC Capital China Access Fund Limited subscribed for and the Company issued convertible bonds in the aggregate principal amount of HK\$165 million convertible into Shares of the Company (the "**2008 Convertible Bonds**").

The 2008 Convertible Bonds will mature on 29 December 2013, and each 2008 Convertible Bond may be converted into one ordinary share of the Company subject to the payment of an initial conversion price of HK\$0.55 per ordinary share of the Company, subject to certain anti-dilutive adjustments. The 2008 Convertible Bonds bear coupon interest rate of 2.5% per annum, payable semi-annually in arrears on 29 June and 29 December in each year. The bondholders have the option to convert the 2008 Convertible Bonds to Shares of the Company seven business days before 29 December 2013. The bondholders also have the option to require redemption at 120% of the principal amount (or an amount that will give the bondholders a return of 15% per annum if certain events occur) at any time after three years from the issue date of the 2008 Convertible Bonds. The Company also has the option to redeem, at an amount that will give the bondholders a return of 15% per annum, part of the 2008 Convertible Bonds before its maturity, if the share price of the Company rises to a certain level. Unless previously redeemed, converted or purchased and cancelled, the 2008 Convertible Bonds will be redeemed at 135% of the principal amount (or an amount that will give the bondholders a return of 15% per annum if certain events occur) on 29 December 2013. The 2008 Convertible Bonds are guaranteed by all of the Company's subsidiaries that are not incorporated in the PRC.

The net proceeds (after deduction of estimated expenses) from the issue of the 2008 Convertible Bonds was approximately HK\$164 million, of which HK\$100 million was used by the Company for development of projects and HK\$64 million is maintained for working capital purpose.

Save as disclosed above, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

## EFFECTS OF THE PLACING ON SHAREHOLDING STRUCTURE OF THE COMPANY

	Before completion of the Placing		Immediately after completion of the Placing		Immediately after completion of the Placing and the Subscription	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Vendor and its concert parties						
– Vendor ( <i>Note 1</i> )	1,248,400,938	42.55	728,400,938	24.82	1,248,400,938	36.14
– Shi Jian ( <i>Note 2</i> )	2,079,107	0.07	2,079,107	0.07	2,079,107	0.06
– Li Yao Min	2,220	0.00	2,220	0.00	2,220	0.00
– Yu Hai Sheng	1,065,987	0.03	1,065,987	0.03	1,065,987	0.03
Sub-total	<u>1,251,548,252</u>	<u>42.65</u>	<u>731,548,252</u>	<u>24.92</u>	<u>1,251,548,252</u>	<u>36.23</u>
Public						
Placees of the Placing ( <i>Note 3</i> )	Nil	Nil	520,000,000	17.72	520,000,000	15.06
Other public Shareholders	1,682,332,943	57.35	1,682,332,943	57.36	1,682,332,943	48.71
Sub-total	<u>1,682,332,943</u>	<u>57.35</u>	<u>2,202,332,943</u>	<u>75.08</u>	<u>2,202,332,943</u>	<u>63.77</u>
<b>Total</b>	<u><u>2,933,881,195</u></u>	<u><u>100</u></u>	<u><u>2,933,881,195</u></u>	<u><u>100</u></u>	<u><u>3,453,881,195</u></u>	<u><u>100</u></u>

*Notes:*

- These Shares are held by the Vendor, a company incorporated in the British Virgin Islands in which Mr. Shi Jian and his wife, Ms. Si Xiao Dong, together beneficially own 63% of its issued share capital. The remaining 37% interest in SRE Investment Holding Limited are held by other management staff of the Company including but not limited to Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Yue Wai Leung, Stan and Mr. Jian Xu Dong. Mr. Shi Jian and Mr. Li Yao Min are directors of SRE Investment Holding Limited and executive Directors of the Company.
- This represents Mr. Shi Jian's personal interest in 2,076,887 Shares and family interest in 2,220 Shares held by his wife, Ms. Si Xiao Dong.
- Such Shares would be allotted and issued upon completion of the Placing.
- The above table does not take into account any Shares which may fall to be issued and allotted upon conversion of the outstanding 2008 Convertible Bonds.

## EFFECTS OF THE BONDS ISSUE ON SHAREHOLDING STRUCTURE OF THE COMPANY

The Company intends that completion of the Bonds Issue shall take place after completion of the Placing and the Subscription, and effects of the Bonds Issue on the shareholding structure of the Company shall be as follows:

	Immediately after completion of the Placing and the Subscription		Assuming the Bonds are fully converted into Shares at the initial conversion price of HK\$1.056	
	Number of Shares	%	Number of Shares	%
<b>Shareholders:</b>				
The Vendor and its concert parties				
– Vendor (Note 1)	1,248,400,938	36.14	1,248,400,938	31.74
– Shi Jian (Note 2)	2,079,107	0.06	2,079,107	0.05
– Li Yao Min	2,220	0.00	2,220	0.00
– Yu Hai Sheng	1,065,987	0.03	1,065,987	0.02
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	1,251,548,252	36.23	1,251,548,252	31.81
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Public Shareholders:</b>				
Bondholders	Nil	Nil	479,928,280	12.20
Other public Shareholders	2,202,332,943	63.77	2,202,332,943	55.99
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>3,453,881,195</u>	<u>100</u>	<u>3,933,809,475</u>	<u>100</u>

### Notes:

- These Shares are held by the Vendor, a company incorporated in the British Virgin Islands in which Mr. Shi Jian and his wife, Ms. Si Xiao Dong, together beneficially own 63% of its issued share capital. The remaining 37% interest in SRE Investment Holding Limited are held by other management staff of the Company including but not limited to Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Yue Wai Leung, Stan and Mr. Jian Xu Dong. Mr. Shi Jian and Mr. Li Yao Min are directors of SRE Investment Holding Limited and executive Directors of the Company.
- This does not include the interest in the Company held by Mr. Shi Jian and his wife, Ms. Si Xiao Dong, through their beneficial interest in SRE Investment Holding Limited.
- The above table does not take into account any Shares which may fall to be issued and allotted upon conversion of the outstanding 2008 Convertible Bonds.

## GENERAL

The Group is an integrated property developer and is principally engaged in the development of residential and commercial properties in the People's Republic of China with a specific focus on middle to high-end residential properties.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares. Further announcements will be made by the Company upon completion of the Placing and Subscription Agreement.

Application has been made to the Stock Exchange for the listing of the Bonds as selectively marketed securities. The Shares are listed on the Stock Exchange and application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Bonds and the Conversion Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside the United States in reliance on Regulation S under the Securities Act.

The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies Ordinance.

The Company will promptly notify the Stock Exchange upon becoming aware of any dealing in the Bonds by any connected person (as defined in the Listing Rules) of the Company.

## **RESPONSIBILITY STATEMENT**

All Directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading

## **RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares and the Notes on the Stock Exchange has been suspended from 2:30 p.m. on 29 June 2009 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares and the Notes on the Stock Exchange from 9:30 a.m. on 30 June 2009.

**As the Placing and Subscription Agreement and/or the Bonds Subscription Agreement may or may not complete, potential investors are advised to exercise caution when dealing in the Shares.**

## TERMS USED IN THIS ANNOUNCEMENT

“2008 Convertible Bonds”	HK\$165 million 2.5% coupon convertible bonds due 2013 issued by the Company on 15 December 2008, details of which are set forth under the “Fund Raising Activities in the Past Twelve Months”
“AGM”	annual general meeting of the Company held on 2 June 2009
“Allocated Placing Shares”	those Placing Shares that have been or will be successfully sold at the Placing Completion Date pursuant to the Placing and Subscription Agreement
“Board”	the board of Directors of the Company
“Bondholder(s)”	holder(s) of the Bonds from time to time
“Bonds”	the RMB denominated 6% convertible bonds due 2014 of an aggregate principal amount of up to RMB446.9 million (equivalent to approximately HK\$506.8 million)
“Bonds Issue”	issue of the Bonds
“Bonds Subscription Agreement”	the subscription agreement entered into between the Company and the Joint Bookrunners on 29 June 2009 in respect of the subscription of the Bonds
“Business Day”	a day (excluding a Saturday) on which banks generally are open for business in Hong Kong
“Circular”	the circular issued by the Company on 26 June 2009
“Closing Date”	23 July 2009 or such later date as the Company and the Joint Bookrunners may agree pursuant to the Bonds Subscription Agreement
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Controlling Shareholder”	SRE Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company as defined under the Listing Rules
“Conversion Price”	the price at which Shares will be issued upon conversion of any of the Bonds which will initially be HK\$1.056 per Share and will be subject to adjustment in the manner provided in the terms and conditions of the Bonds

“Conversion Rights”	the conversion rights attaching to the Bonds to convert into new Shares pursuant to the terms and conditions of the Bonds
“Conversion Shares”	the Shares to be issued by the Company pursuant to the exercise of the Conversion Rights
“Director(s)”	director(s) of the Board of the Company
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of and not connected with the Company or connected persons of the Company (as defined in the Listing Rules)
“Joint Bookrunners”	Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Members of the Management”	Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Yue Wai Leung, Stan
“Notes”	the US\$200 million 8.625% guaranteed notes issued by the Company on 24 April 2006 with the maturity date on 24 April 2013
“Offering Circular”	an offering circular that the Company undertakes to prepare in connection with the Bonds Issue and which is to be dated not later than three business days prior to the Closing Date or such other date as may be agreed between the Company and each of the Joint Bookrunners
“Paying, Conversion and Transfer Agency Agreement”	the paying, conversion and transfer agency agreement relating to the appointment of agents and registrar in respect of the Bonds

“Placee(s)”	any institutional and other professional investor(s) procured by the Placing Agents to purchase any of the Placing Shares pursuant to the Placing Agents’ obligations under the Placing and Subscription Agreement
“Placing”	the placing of up to 520,000,000 Placing Shares by the Placing Agents pursuant to the terms of the Placing and Subscription Agreement
“Placing Agents and Joint Bookrunners”	Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch
“Placing and Subscription Agreement”	the placing and subscription agreement entered between the Company, the Vendor and the Placing Agents on 29 June 2009 in relation to the Placing and Subscription
“Placing Completion Date”	3 July 2009 or such other date as the Vendor and Placing Agents may agree pursuant to the Placing and Subscription Agreement to complete the placing of the Allocated Placing Shares
“Placing Price”	the price of HK\$0.96 per Placing Share
“Placing Share(s)”	520,000,000 existing Shares to be placed pursuant to the Placing and Subscription Agreement
“Publication Date”	the date in which the Offering Circular for the Bonds will be published, which date shall be dated not later than three business days prior to the Closing Date or such other date as may be agreed between the Company and each of the Joint Bookrunners
“PRC”	The People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Regulation S”	Regulation S under the Securities Act
“Relevant Indebtedness”	any future and present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement)



“RMB”	Renminbi, the lawful currency of the PRC
“Securities Act”	the US Securities Act of 1933, as amended
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Shareholders to be convened and held for the purpose of approving the proposed Specific Mandate
“Share(s)”	fully paid ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Borrowers”	Credit Suisse Securities (Europe) Limited and Deutsche Bank AG, Hong Kong Branch
“Share Lender”	SRE Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company as defined under the Listing Rules
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Shareholders at the SGM to issue and allot up to 413,223,761 new Shares, representing approximately 14% of the Company’s existing total issued share capital as at the date of this announcement, at any time during the period specified in the relevant resolution set out in the notice of SGM
“Stock Borrowing Agreement”	two stock borrow agreements dated as of the date of this announcement, between the Share Lender and the Share Borrowers, pursuant to which the Share Lender will be lending to the Share Borrowers up to 150,000,000 Shares (75,000,000 Shares for each Share Borrower)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Vendor for the Subscription Shares on the terms and subject to the conditions set out in the Placing and Subscription Agreement
“Subscription Completion Date”	the Business Day after the date upon which the last of the conditions set out in Clause 5.2 of the Placing and Subscription Agreement shall have been satisfied provided that the Subscription Completion Date shall not be later than the date falling 14 days after the date of the Placing and Subscription Agreement

“Subscription Price”	HK\$0.96 per Subscription Share, which is the same as the Placing Price
“Subscription Shares”	the same number of new Shares as the Allocated Placing Shares
“Subsidiaries”	the subsidiaries of the Company as specified in the Bonds Subscription Agreement
“Takeover Codes”	The Codes on Takeovers and Mergers and Share Repurchases
“Tender Offer and Consent Solicitation”	the offer by the Company to purchase for cash any and all of the Notes and the solicitation of consents relating to the Notes, the details of which are set out in the Company’s announcements dated 9 June 2009 and 22 June 2009. The maximum amount payable by the Company under the Tender Offer and Consent Solicitation is approximately US\$164.31 million
“Trading Day”	a day when the Stock Exchange is open for dealing business, provided that if no closing price of the Shares is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and will be deemed not to have been dealing days when ascertaining any period of dealing days
“Transaction Date”	the date when the sale of the Placing Shares shall be reported as a cross-trade to the Stock Exchange which shall be (i) 30 June 2009 or, (ii) if dealings in the Shares on the Stock Exchange are suspended at all times on 30 June 2009, the first day on which dealings resume and the cross-trade can be reported to the Stock Exchange in accordance with its rules, or such other date as the Vendor and the Placing Agents may agree in writing
“Trust Deed”	the trust deed expected to be dated the Closing Date, to be entered into between the Company and a trustee (the “Trustee”) to be appointed by the Company and approved by the Joint Bookrunners, pursuant to which the Bonds will be constituted and issued
“Waiver”	a waiver to be granted by the Executive Director of the Corporate Finance Division of the SFC or any of his delegates pursuant to Note 6 on dispensations from Rule 26 of the Takeover Codes of the obligations on the part of the Vendor and parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code for all securities of the Company other than those already owned or agreed to be acquired by the Vendor and parties acting in concert with it as a result of the allotment and issue of the Subscription Shares

“United States”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“Vendor”	SRE Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company as defined under the Listing Rules
“%”	per cent.

By Order of the Board  
**SRE GROUP LIMITED**  
**Shi Jian**  
*Chairman*

Hong Kong, 29 June 2009

*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. Yue Wai Leung, Stan; 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. Jiang Xie Fu, Mr. E Hock Yap and Mr. Pan Long Qing.*