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**PROPOSED RIGHTS ISSUE OF RIGHTS SHARES OF HK\$0.10 EACH  
AT HK\$0.30 PER RIGHTS SHARE  
ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY SEVEN SHARES HELD  
ON THE RECORD DATE  
AND  
CLOSURE OF REGISTER OF MEMBERS**

**Sole Underwriter of the Rights Issue**



**SRE Investment Holding Limited**

**Financial adviser to the Company**



\* For identification purpose only

## **RIGHTS ISSUE**

The Company proposes to raise not less than approximately HK\$212 million before expenses and not more than approximately HK\$236 million before expenses by way of a rights issue of not less than 708,089,215 Rights Shares and not more than 785,111,139 Rights Shares on the basis of one Rights Share in nil-paid form for every seven Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.30 per Rights Share payable in full on acceptance. The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders. The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number) and sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved.

The maximum number of Rights Shares which may be issued pursuant to the terms of the Rights Issue represents approximately 15.84% of the Company's issued share capital as at the Latest Practicable Date and will represent approximately 12.50% of the Company's issued share capital as enlarged by the issue of the Rights Shares immediately after the completion of the Rights Issue.

Pursuant to Rule 7.19(6)(a) of the Listing Rules, as the Rights Issue would increase the issued share capital of the Company by not more than 50%, the Rights Issue is not conditional on the approval of the Shareholders.

As at the Latest Practicable Date, SREI was interested in 2,590,127,604 Shares (including the Lent Shares), representing approximately 52.26% of the issued share capital of the Company. Pursuant to the Underwriting Agreement, SREI has irrevocably undertaken to the Company to accept and/or procure the acceptance of the Committed Shares.

The Underwriter has conditionally agreed to underwrite the Underwritten Shares. The obligations of the Underwriter to underwrite the Underwritten Shares are conditional on (i) the satisfaction (and/or, as applicable, waiver) of the conditions referred to in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" under the section headed "Underwriting Arrangements" in this announcement, and (ii) the Underwriting Agreement not being terminated by the Underwriter in accordance with its terms. If the conditions are not fulfilled (and/or waived) or the Underwriting Agreement is terminated pursuant to its terms, the Rights Issue will not proceed.

## **REASONS FOR THE PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS**

The Directors believe that the Rights Issue is in the best interest of the Group and the Shareholders as a whole and it would enable the Group to enlarge the capital base and strengthen the financial position of the Group. The Rights Issue would also enable the Qualifying Shareholders to maintain their respective pro rata shareholding interests in the Group by participating in the Rights Issue.

The estimated expenses in relation to the Rights Issue, including financial, legal and other professional expenses, of approximately HK\$5 million, will be borne by the Company. The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK\$0.29.

The estimated net proceeds of the Rights Issue will be approximately HK\$207 million after the deduction of all estimated expenses of approximately HK\$5 million (assuming no Shares have been allotted and issued before the Record Date pursuant to any exercise of the Conversion Rights and that no Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date), or approximately HK\$231 million after the deduction of all estimated expenses of approximately HK\$5 million (assuming Shares have been allotted and issued before the Record Date pursuant to the full exercise of the Conversion Rights but otherwise no Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date). The Directors currently intend to apply the net proceeds from the Rights Issue for development of property business and for general working capital purposes of the Group.

#### **WARNING OF THE RISKS OF DEALINGS IN SHARES AND RIGHTS SHARES**

**The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. Please refer to the paragraph headed “Conditions of the Rights Issue and the Underwriting Agreement” under the section headed “Underwriting Arrangements” in this announcement for further details. It should also be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain events including force majeure. Please refer to the paragraph headed “Termination of the Underwriting Agreement” under the section headed “Underwriting Arrangements” in this announcement for further details. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.**

**Any Shareholder or other person dealing in Shares or other securities of the Company up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) and any person dealing in the nil-paid Rights Shares during the period from Wednesday, 23 May 2012 to Wednesday, 30 May 2012 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. If in any doubt, Shareholders, and other persons contemplating dealing in securities of the Company and potential investors are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.**

## **TRADING ARRANGEMENTS**

**The last day for dealing in the Shares on a cum-rights basis is expected to be Thursday, 10 May 2012. The Shares will be dealt with on an ex-rights basis from Friday, 11 May 2012. The Rights Shares are expected to be dealt with in their nil-paid form from Wednesday, 23 May 2012 to Wednesday, 30 May 2012 (both days inclusive).**

**To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be Thursday, 17 May 2012. In order to be registered as a member of the Company on the Record Date, any transfer of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar for registration by 4:30 p.m. on the Last Day for Transfer. The register of members of the Company will be closed from Tuesday, 15 May 2012 to Thursday, 17 May 2012, both days inclusive.**

**The latest time for acceptance of and payment for the Rights Shares is expected to be 4:00 p.m. on the Acceptance Date. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Please refer to the section headed "Expected Timetable" in this announcement for further details.**

## **GENERAL**

The Company expects to send the Prospectus Documents to the Qualifying Shareholders on or before Monday, 21 May 2012. Subject to the advice of the Company's legal advisers in the relevant jurisdiction(s) and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders and if required by the terms and conditions of the Convertible Bonds, to the respective holders of the Convertible Bonds for their information only but will not send any PAL or EAF to them.

## **RIGHTS ISSUE**

The terms of the Rights Issue are set out below.

## **ISSUE STATISTICS**

Basis of the Rights Issue: one Rights Share for every seven Shares held on the Record Date

Number of Shares in issue: 4,956,624,507 Shares as at the Latest Practicable Date

Number of Rights Shares: Not less than 708,089,215 Rights Shares (assuming no Shares have been allotted and issued before the Record Date pursuant to any exercise of the Conversion Rights and that no Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date) and not more than 785,111,139 Rights Shares (assuming Shares have been allotted and issued before the Record Date pursuant to the full exercise of the Conversion Rights but otherwise no Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date)

Subscription Price: HK\$0.30 per Rights Share

Aggregate nominal value of the Rights Shares: Not less than HK\$70,808,921.50 and not more than HK\$78,511,113.90

Sole Underwriter: SREI

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional Shares which may be allotted and issued before the Record Date, including Shares which may be allotted and issued before the Record Date pursuant to the exercise of the Conversion Rights.

As at the Latest Practicable Date, there were outstanding Convertible Bonds with an aggregate principal amount of RMB446,900,000 convertible into 539,153,472 Shares at the conversion price of HK\$0.94 per Share (subject to adjustments) using a fixed exchange rate of HK\$1 = RMB0.8818. Assuming full exercise of the Conversion Rights by no later than 4:00 p.m. on 9 May 2012 and Shares are allotted and issued pursuant to such exercise by the Record Date, a total of 539,153,472 new Shares would fall to be issued, which would result in the issue of 77,021,924 additional Rights Shares.

Save for the outstanding Convertible Bonds as mentioned above, the Company has no other outstanding convertible securities or options in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

The maximum number of nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents approximately 15.84% of the Company's issued share capital as at the Latest Practicable Date and will represent approximately 12.50% of the Company's issued share capital as enlarged by the issue of the Rights Shares immediately after the completion of the Rights Issue.

## **QUALIFYING SHAREHOLDERS**

The Company expects to send the Prospectus Documents to the Qualifying Shareholders on or before Monday, 21 May 2012. Subject to the advice of the Company's legal advisers in the relevant jurisdiction(s) and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders and if required by the terms and conditions of the Convertible Bonds, to the holders of the Convertible Bonds for their information only but will not send any PAL or EAF to them.

To qualify for the Rights Issue, a Shareholder or an investor must: (i) be registered as a member of the Company on the Record Date; and (ii) not be a Non-Qualifying Shareholder.

The last day for dealing in the Shares on a cum-rights basis is Thursday, 10 May 2012. The Shares will be dealt with on an ex-rights basis from Friday, 11 May 2012.

In order to be registered as a member of the Company on the Record Date, any transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar for registration no later than 4:30 p.m. on the Last Day for Transfer.

Holders of Convertible Bonds who wish to participate in the Rights Issue should exercise the Conversion Rights in accordance with the terms and conditions thereof and be registered as holders of the Shares allotted and issued to them pursuant to such exercise with the Company by the Record Date. In order to be registered as a member of the Company by the Record Date, any exercise of Conversion Rights must be effected by deposit of the conversion notice together with all other requisite document(s) and/or payment(s) in accordance with the terms and conditions of the Convertible Bonds by no later than 4:00 p.m. on 9 May 2012 (Hong Kong time).

The latest time for acceptance of and payment for the Rights Shares is expected to be 4:00 p.m. on the Acceptance Date. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his or her entitlement under the Rights Issue, his or her proportionate shareholding in the Company will be diluted.

## **RIGHTS OF THE NON-QUALIFYING SHAREHOLDERS**

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation or equivalent legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, the Company had a total of two Shareholders with registered addresses outside Hong Kong.

The Company is in the process of making enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. The Company notes the requirements specified in Rule 13.36(2) (a) of the Listing Rules and will only exclude from the Rights Issue those Overseas Shareholders whom the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions, consider it necessary or expedient to exclude. The basis of exclusion of such Overseas Shareholders from the Rights Issue, if any, will be disclosed in the Prospectus.

Subject to the advice of the Company's legal advisers in the relevant jurisdiction(s) and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send any PAL or EAF to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before dealings in nil-paid Rights Shares end if a premium in excess of all expenses of sale can be achieved. The aggregate net proceeds of such sale will be distributed by the Company to the Non-Qualifying Shareholders (pro-rata to their shareholdings on the Record Date) in Hong Kong dollars, provided that if any of such persons would be entitled to a sum not exceeding HK\$100, such sum will be retained by the Company for its own benefit. Any unsold Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled will be made available for excess application on EAFs by the Qualifying Shareholders.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining entitlements to the Rights Issue, the register of members of the Company will be closed from Tuesday, 15 May 2012 to Thursday, 17 May 2012, both dates inclusive. No transfer of the Shares will be registered during this period.

## **SUBSCRIPTION PRICE**

The Subscription Price is HK\$0.30 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or, where applicable, upon application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (1) a discount of approximately 22.08% to the Last Closing Price;
- (2) a discount of approximately 19.79% to the theoretical ex-rights price (assuming no exercise of the Conversion Rights) of approximately HK\$0.374 per Share, which is calculated based on the Last Closing Price;
- (3) a discount of approximately 22.08% to the average of the closing prices of approximately HK\$0.385 per Share as quoted on the Stock Exchange for the five consecutive trading days ending on the Last Trade Day;

- (4) a discount of approximately 22.68% to the average of the closing prices of approximately HK\$0.388 per Share as quoted on the Stock Exchange for the ten consecutive trading days ending on the Last Trade Day; and
- (5) a discount of approximately 85.82% to the audited consolidated net asset value attributable to equity holders of the Company per Share as at 31 December 2011 of approximately HK\$2.116.

The Subscription Price was determined by the Directors with reference to the market price of the Shares under the prevailing market conditions and the current financial position of the Group. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date.

After taking into consideration the reasons for the Rights Issue as stated in the section headed “Reasons for the proposed Rights Issue and use of proceeds” in this announcement, the Directors consider that the terms of the Rights Issue, including the Subscription Price and the discounts to the relative values as indicated above, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **BASIS OF PROVISIONAL ALLOTMENT**

The basis of the provisional allotment shall be one Rights Share for every seven Shares held by the Qualifying Shareholders on the Record Date.

Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

#### **FRACTIONAL ENTITLEMENTS TO THE RIGHTS SHARES**

The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares. No odd lot matching services will be provided. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) to a nominee of the Company, and will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved, and the Company will retain the proceeds from such sale. Any unsold fractions of Rights Shares will be made available for excess application on EAFs by Qualifying Shareholders.

#### **STATUS OF THE RIGHTS SHARES**

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu in all respects with the then existing Shares in issue, such that holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.



## **APPLICATION FOR EXCESS RIGHTS SHARES**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Applications for excess Rights Shares can be made only by Qualifying Shareholders and only by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at its discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and
- (2) subject to the availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares will be allocated a higher percentage of the excess Rights Shares they have applied for whereas Qualifying Shareholders applying for a larger number of Rights Shares will be allocated a lower percentage of the excess Rights Shares they have applied for (although they will still receive a greater number of Rights Shares than those applying for a smaller number)).

Investors whose Shares are held by a nominee (or which are held in CCASS) should note that the Board will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of a nominee should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to them individually. Beneficial owners with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to 4:30 p.m. on the Last Day for Transfer.

Investors whose Shares are held by a nominee (or which are held in CCASS) and would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Registrar for completion of the relevant registration prior to 4:30 p.m. on the Last Day for Transfer.

Qualifying Shareholders who wish to apply for any Rights Shares in addition to their provisional allotment, must complete and sign an EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar by a time which is currently expected to be 4:00 p.m. on the Acceptance Date or such later time and/or date as may be agreed between the Company and the Underwriter.

## **SHARE CERTIFICATES AND REFUND CHEQUES FOR THE RIGHTS ISSUE**

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for fully-paid Rights Shares are expected to be posted to those who have accepted and (where applicable) applied for, and paid for, the Rights Shares by ordinary post at their own risk on or before Monday, 11 June 2012. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted to the applicants by ordinary post at their own risk on or before Monday, 11 June 2012. Dealings in the fully-paid Rights Shares are expected to commence on or about Tuesday, 12 June 2012.

## **APPLICATION FOR LISTING OF THE RIGHTS SHARES ON THE STOCK EXCHANGE**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the Shares is listed, or dealt in, or for which listing or permission to deal is being or is proposed to be sought, on any other stock exchange. The nil-paid and fully-paid Rights Shares are expected to have the same board lot size as the Shares (i.e. 2,000 Shares in one board lot).

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

## **RIGHTS SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day after the date of the transaction.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## UNDERWRITING ARRANGEMENTS

### Principal Terms of the Underwriting Agreement

Date:	30 April 2012
Parties:	The Company and SREI
Number of Underwritten Shares:	Not less than 338,070,988 Rights Shares (assuming no Shares have been allotted and issued before the Record Date pursuant to any exercise of the Conversion Rights and that no Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date) and not more than 415,092,912 Rights Shares (assuming Shares have been allotted and issued before the Record Date pursuant to the full exercise of the Conversion Rights but otherwise no Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date).
Underwriter's Commission:	The commission payable by the Company in respect of the Rights Issue is HK\$100,000.

The Board considers the terms of the Underwriting Agreement including the commission payable by the Company to be on normal commercial terms (or better to the Company) and fair and reasonable so far as the Company and the Shareholders are concerned.

SREI is a controlling shareholder and a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction of the Company. Pursuant to Rule 14A.31(3)(c) of the Listing Rules, as arrangements have been made in relation to excess applications in compliance with Rule 7.21 of the Listing Rules, the Underwriting Agreement is exempted from all reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. It is not in the ordinary course of business of SREI to underwrite shares.

### Conditions of the Rights Issue and the Underwriting Agreement

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. The obligations of the Underwriter under the Underwriting Agreement are conditional upon:

- (1) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date;
- (2) the filing with the Registrar of Companies in Bermuda of one copy of the Prospectus duly signed in accordance with the requirements of the Companies Act 1981 of Bermuda on or before or as soon as

reasonably practicable after the publication of the Prospectus in compliance with the Companies Act 1981 of Bermuda;

- (3) the Company posting the Prospectus Documents to the Qualifying Shareholders;
- (4) the filing and registration of all relevant documents relating to the Rights Issue which are required by law to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) by no later than the Prospectus Posting Date;
- (5) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination; and
- (6) the Underwriter's shareholding in the Company (including the Lent Shares) in the Company not being diluted to less than 50% as a result of any allotment and issue of new Shares by the Company (including pursuant to the exercise of the Conversion Rights) on or before the Record Date.

If any of the above conditions shall not have been fulfilled and/or waived if permitted by the terms of the Underwriting Agreement in whole or in part by the Underwriter by the Latest Time for Termination (or such later time and/or date as the Company and the Underwriter may agree in writing), the Underwriting Agreement shall terminate (save in respect of certain rights or obligations under the Underwriting Agreement) and the Rights Issue will not proceed.

#### **Irrevocable undertaking from SREI**

As at the Latest Practicable Date, SREI was interested in 2,590,127,604 Shares (including the Lent Shares), representing approximately 52.26% of the then issued share capital of the Company.

Pursuant to the Underwriting Agreement, SREI has irrevocably undertaken to the Company (i) to accept and/or procure the acceptance of the Committed Shares; and (ii) that all Shares held by SREI (excluding the Lent Shares) as at the date of the Underwriting Agreement will remain beneficially owned by it as on the Record Date.

SREI has also undertaken that it will not, without first having obtained the prior written consent of the Company:

- (1) transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire any Share or any interest therein between the date of the Underwriting Agreement and the Record Date; or
- (2) transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire (except the acceptance of and procuring the acceptance of the Committed Shares under the Rights Issue pursuant to the Underwriting Agreement) any Share or any interest therein between the Record Date and the Acceptance Date.

## Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement on the occurrence of certain events.

The Underwriter may at any time prior to the Latest Time for Termination terminate the Underwriting Agreement if:

- (1) in the opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole; or
  - (c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or
  - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or material restriction on trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

- (2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

**In the event the Underwriter exercises its rights to terminate the Underwriting Agreement, the obligations of all parties thereunder shall terminate forthwith (save in respect of certain rights or obligations under the Underwriting Agreement) and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (other than in respect of any antecedent breaches). If the Underwriter exercises such right, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.**

## **EXPECTED TIMETABLE**

The expected timetable for the Rights Issue is set out below:

**2012**

Last day of dealings in Shares on a cum-rights basis . . . . . Thursday, 10 May

First day of dealings in Shares on an ex-rights basis . . . . . Friday, 11 May

Latest time for lodging transfers of Shares and related documents  
in order to qualify for the Rights Issue. . . . . 4:30 p.m. on Monday, 14 May

Closure of register of members of the Company  
(both days inclusive) . . . . . from Tuesday, 15 May to Thursday, 17 May

Record Date . . . . . Thursday, 17 May

Despatch of the Prospectus Documents . . . . . Monday, 21 May

First day of dealings in nil-paid Rights Shares . . . . . Wednesday, 23 May

Latest time for splitting of nil-paid Rights Shares . . . . . 4:30p.m. on Friday, 25 May

Last day of dealings in nil-paid Rights Shares. . . . . Wednesday, 30 May

Latest time and date for acceptance of and payment  
for the Rights Shares and for application and payment  
for excess Rights Shares . . . . . 4:00 p.m. on Monday, 4 June

Latest time and date for termination of the Underwriting Agreement . . . . .	4:00 p.m. on Tuesday, 5 June
Rights Issue expected to become unconditional. . . . .	4:00 p.m. on Tuesday, 5 June
Publication of the announcement of results of acceptance of and excess applications for the Rights Issue . . . . .	Friday, 8 June
Refund cheques for wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before . . . . .	Monday, 11 June
Share certificates for fully-paid Rights Shares to be despatched on or before . . . . .	Monday, 11 June
First day of dealings in fully-paid Rights Shares . . . . .	Tuesday, 12 June

*Note:* All times and dates in this announcement refer to Hong Kong times and dates. Dates or deadlines specified in this announcement are indicative only and may be extended or varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as appropriate.

**EFFECT OF BAD WEATHER ON LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

1. in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon on Monday, 4 June 2012. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; and
2. in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. on Monday, 4 June 2012. Instead the latest time of acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares does not take place on the Acceptance Date, the dates mentioned in the section headed “Expected timetable” in this announcement may be affected. The Company will notify the Shareholders by way of announcements of any change to the expected timetable as soon as practicable in this regard.

## EFFECT OF THE RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY

The shareholdings in the Company as at the Latest Practicable Date and immediately after the completion of the Rights Issue were and will be as follows:

### Scenario 1:

Assuming no Shares (other than the Rights Shares) are allotted and issued before completion of the Rights Issue

	Immediately prior to the Record Date <sup>1</sup>		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares (other than the Committed Shares) are taken up by the Qualifying Shareholders)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
SREI	2,590,127,604 <sup>3</sup>	52.26	2,960,145,831	52.26	3,298,216,819	58.22
Mr. Shi Jian	13,006,991	0.26	14,865,132	0.26	13,006,991	0.23
Madam Si Xiao Dong	2,324	0.00	2,656	0.00	2,324	0.00
Directors (excluding Mr. Shi Jian)	11,548,415	0.23	13,198,188	0.23	11,548,415	0.20
	2,614,685,334	52.75	2,988,211,807	52.75	3,322,774,549	58.66
Public	2,341,939,173	47.25	2,676,501,915	47.25	2,341,939,173	41.34
<b>Total</b>	<b>4,956,624,507</b>	<b>100</b>	<b>5,664,713,722</b>	<b>100</b>	<b>5,664,713,722</b>	<b>100</b>



## Scenario 2:

Assuming Shares have been allotted and issued by the Record Date pursuant to the full exercise of the Conversion Rights but otherwise no other Shares (other than the Rights Shares) are allotted and issued before completion of the Rights Issue:

	Immediately prior to the Record Date <sup>2</sup>		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares (other than the Committed Shares) are taken up by the Qualifying Shareholders)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
SREI	2,590,127,604 <sup>3</sup>	47.13	2,960,145,831	47.13	3,375,238,743	53.74
Mr. Shi Jian	13,006,991	0.24	14,865,132	0.24	13,006,991	0.21
Madam Si Xiao Dong	2,324	0.00	2,656	0.00	2,324	0.00
Directors (excluding Mr. Shi Jian)	11,548,415	0.21	13,198,188	0.21	11,548,415	0.18
	<u>2,614,685,334</u>	<u>47.58</u>	<u>2,988,211,807</u>	<u>47.58</u>	<u>3,399,796,473</u>	<u>54.13</u>
Public	2,881,092,645	52.42	3,292,677,311	52.42	2,881,092,645	45.87
<b>Total</b>	<b><u>5,495,777,979</u></b>	<b><u>100</u></b>	<b><u>6,280,889,118</u></b>	<b><u>100</u></b>	<b><u>6,280,889,118</u></b>	<b><u>100</u></b>

Notes:

- 1 Assuming no change in shareholdings from the Latest Practicable Date.
- 2 Assuming no change in shareholdings from the Latest Practicable Date other than pursuant to the full exercise of the Conversion Rights.
- 3 These Shares comprise 2,440,127,604 Shares held by SREI and the Lent Shares.

In the event that SREI's interest in the Company is diluted to less than 50% as a result of the exercise of the Conversion Rights and the issue and allotment of Shares pursuant to such exercise on or before the Record Date, the conditions of the Underwriting Agreement will not be fulfilled in full and the Company shall issue an announcement informing the market that the Rights Issue will not proceed on or before the last day of dealings in Shares on a cum-rights basis.

## **REASONS FOR THE PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS**

The Directors believe that the Rights Issue is in the best interest of the Group and the Shareholders as a whole and it would enable the Group to enlarge the capital base and strengthen the financial position of the Group. The Rights Issue would also enable the Qualifying Shareholders to maintain their respective pro rata shareholding interests in the Group by participating in the Rights Issue.

The estimated gross proceeds from the Rights Shares will be not less than approximately HK\$212 million before expenses and not more than approximately HK\$236 million before expenses.

The estimated expenses in relation to the Rights Issue, including financial, legal and other professional expenses, of approximately HK\$5 million, will be borne by the Company. The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK\$0.29.

The estimated net proceeds of the Rights Issue will be approximately HK\$207 million after the deduction of all estimated expenses of approximately HK\$5 million (assuming no Shares have been allotted and issued before the Record Date pursuant to any exercise of the Conversion Rights and that no Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date), or approximately HK\$231 million after the deduction of all estimated expenses of approximately HK\$5 million (assuming Shares have been allotted and issued before the Record Date pursuant to the full exercise of the Conversion Rights but otherwise no Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date). The Directors currently intend to apply the net proceeds from the Rights Issue for development of property business and for general working capital purposes of the Group.

## **POSSIBLE ADJUSTMENTS TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS**

As at the Latest Practicable Date, there were outstanding Convertible Bonds with an aggregate principal amount of RMB446,900,000 convertible into 539,153,472 Shares at the conversion price of HK\$0.94 per Share (subject to adjustments) using a fixed exchange rate of HK\$1 = RMB0.8818. Assuming full exercise of the Conversion Rights by no later than 4:00 p.m. on 9 May 2012 and Shares are allotted and issued pursuant to such exercise by the Record Date, a total of 539,153,472 new Shares would fall to be issued, which would result in the issue of 77,021,924 additional Rights Shares.

As a result of the Rights Issue, the conversion price of the outstanding Convertible Bonds may be adjusted in accordance with the terms and conditions of the Convertible Bonds. The Company will give notification of the adjustment in accordance with the terms and conditions of the Convertible Bonds.

## **PREVIOUS FUND RAISING EXERCISE OF THE COMPANY**

As disclosed in the announcement of the Company dated 6 May 2011, the Company entered into a subscription agreement with SREI pursuant to which SREI subscribed for and the Company issued the Convertible Note in the principal amount of HK\$550 million. On 10 November 2011, SREI gave notice to the Company to convert the Convertible Note at the conversion price of HK\$1.00 per new Share to be allotted and issued to the holder of the Convertible Note upon exercise of the conversion rights attaching to the Convertible Note and 550,000,000 Shares were allotted and issued by the Company to SREI.

Save for the above and the Rights Issue, the Company has not undertaken any equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

## **GENERAL**

The Prospectus or Prospectus Documents, as appropriate, containing further information on the Rights Issue are currently expected to be despatched to Shareholders on or before Monday, 21 May 2012. Shareholders and potential investors should exercise caution in dealing in the Shares.

Pursuant to Rule 7.19(6)(a) of the Listing Rules, since the Rights Issue would increase the issued share capital of the Company by not more than 50%, the Rights Issue is not conditional on approval by the Shareholders.

## **WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES IN NIL-PAID FORM**

**The last day for dealing in the Shares on a cum-rights basis is expected to be Thursday, 10 May 2012. The Shares are expected to be dealt with on an ex-rights basis from Friday, 11 May 2012. The Rights Shares are expected to be dealt with in their nil-paid form from Wednesday, 23 May 2012 to Wednesday, 30 May 2012 (both days inclusive).**

**The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. It should also be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain events including force majeure. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.**

**Any Shareholder or other person dealing in Shares or other securities of the Company up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any person dealing in the nil-paid Rights Shares during the period from Wednesday, 23 May 2012 to Wednesday, 30 May 2012 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. If in any doubt, Shareholders, and other persons contemplating dealing in securities of the Company and potential investors are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.**

## FINANCIAL ADVISER

CCB International Capital Limited has been appointed as financial adviser to advise the Company in connection with the Rights Issue.

## DEFINITIONS

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

“Acceptance Date”	4:00 p.m. on Monday, 4 June 2012, being the latest time for acceptance of the offer of and payment for the Rights Shares and for application and payment for the excess Rights Shares
“Board”	the board of Directors or a duly authorised executive committee thereof
“Business Day”	a day on which banks are generally open for normal banking business in Hong Kong other than Saturdays and Sundays
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Committed Shares”	not less than 370,018,227 Rights Shares which SREI has irrevocably undertaken to accept and/or procure the acceptance thereof as rights entitlement under the Rights Issue (comprising those Rights Shares to be provisionally allotted to it and those Rights Shares to be provisionally allotted as rights entitlement in respect of the Lent Shares)
“Company”	SRE Group Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Conversion Rights”	the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the RMB denominated United States dollar settled 6% convertible bonds in the principal amount of RMB446.9 million maturing on 23 July 2014 issued by the Company on 24 July 2009 (Stock Code: 4309), details of which were disclosed in the Company’s announcement dated 29 June 2009

“Convertible Note”	the HK\$550 million, 2% convertible note due 2016 convertible into Shares
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares to be issued in connection with the Rights Issue
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Closing Price”	the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on the Last Trade Day
“Last Day for Transfer”	Monday, 14 May 2012, being the last date for lodging transfer of Shares prior to the closure of the register of members of the Company
“Last Trade Day”	Friday, 27 April 2012, being the last full trading day for the Shares immediately prior to the date of this announcement
“Latest Practicable Date”	27 April 2012, being the latest practicable date prior to the release of this announcement for the purpose of ascertaining certain information for inclusion in this announcement
“Latest Time for Termination”	4:00 p.m. on the Business Day immediately after the Acceptance Date which is expected to be on Tuesday, 5 June 2012
“Lent Shares”	150,000,000 Shares lent by SREI pursuant to two stock borrow agreements both dated 29 June 2009, of which 75,000,000 Shares were lent to Credit Suisse Securities (Europe) Limited and 75,000,000 Shares were lent to Deutsche Bank AG (acting through its London Branch)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal advice, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued by the Company for the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Prospectus Posting Date”	21 May 2012, being the date of despatch of Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date
“Record Date”	Thursday, 17 May 2012
“Registrar”	Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the issue by way of rights of one Rights Share for every seven Shares in issue on the Record Date at a price of HK\$0.30 per Rights Share
“Rights Shares”	new Shares to be allotted and issued under the Rights Issue (being not less than 708,089,215 and not more than 785,111,139 new Shares)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“SREI” or “Underwriter”	SRE Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company
“Stock Borrowers”	Credit Suisse Securities (Europe) Limited and Deutsche Bank AG (acting through its London Branch), being borrowers of the Lent Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.30 per Rights Share
“Underwriting Agreement”	the conditional underwriting agreement dated 30 April 2012 entered into between the Company and the Underwriter in relation to the underwriting of the Underwritten Shares and certain other arrangements and obligations in respect of the Rights Issue
“Underwritten Shares”	the Rights Shares other than the Committed Shares (being not less than 338,070,988 Rights Shares (assuming no Shares have been allotted and issued before the Record Date pursuant to any exercise of the Conversion Rights and that no Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date) and not more than 415,092,912 Rights Shares (assuming Shares have been allotted and issued before the Record Date pursuant to the full exercise of the Conversion Rights but otherwise no Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date)) underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“%”	per cent.

For and on behalf of the Board  
**SRE Group Limited**  
**SHI JIAN**  
*Chairman*

Hong Kong, 30 April 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. E Hock Yap, Mr. Zhuo Fumin and Mr. Yuan Pu.*