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**建業地產股份有限公司\***  
**Central China Real Estate Limited**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 832)

**(1) PROPOSED ISSUE OF CONVERTIBLE BONDS WITH WARRANTS;  
(2) BUSINESS UPDATE OF THE GROUP;  
AND  
(3) RESUMPTION OF TRADING**

**(1) PROPOSED ISSUE OF CONVERTIBLE BONDS WITH WARRANTS**

On 5 August 2009, the Company entered into the Subscription Agreements with each of the Subscribers relating to the issue and subscription of the Convertible Bonds at an aggregate principal amount of HK\$765 million, which will be issued in conjunction with the Warrants.

Based on the initial Conversion Price of HK\$3.10 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 246,774,193 Conversion Shares, representing approximately 12.34% of the issued share capital of the Company as at the date of this announcement and approximately 10.98% of the issued share capital of the Company as enlarged assuming full conversion of the Convertible Bonds.

The Warrants entitle the Subscribers to subscribe for a maximum of 76,097,561 Warrant Shares at the initial Exercise Price of HK\$4.10 per Warrant Share. The 76,097,561 Warrant Shares represent approximately 3.80% of the issued share capital of the Company as at the date of this announcement and approximately 3.67% of the issued share capital of the Company as enlarged, assuming the Warrants are fully exercised and no other issue of Shares is made before the Warrants are fully exercised.

The Conversion Shares and the Warrant Shares will be allotted and issued pursuant to the general mandate of the Company granted to the Directors at the annual general meeting of the Company held on 12 May 2009 and will rank pari passu in all respects with the existing Shares in issue. As at the date of this announcement, the Directors have not exercised the power to allot and issue any Shares pursuant to the general mandate granted.

The estimated net proceeds from the issue of the Convertible Bonds of approximately HK\$762 million will be applied for the purpose of acquiring minority interests, purchase of land banks and general working capital.

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

## **(2) BUSINESS UPDATE OF THE GROUP**

The Board would like to provide the Shareholders and potential investors with a business update of the Group.

The information contained in the section headed “Business Update of the Group” in this announcement is only based on information currently available to the Group and a preliminary assessment of the management accounts of the Group by the management of the Company. It is not based on any figures or information that has been confirmed or audited by the Company’s auditors and remains subject to finalization and necessary adjustments. Details of the financial data of the Group will be disclosed in the Group’s interim results announcement for the six months ended 30 June 2009, which will be published before the end of September 2009.

### **(3) RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares on the Hong Kong Stock Exchange has been suspended from 9:30 a.m. on 5 August 2009 pending the release of this announcement. Application has been made to the Hong Kong Stock Exchange for the resumption of trading of the Shares on the Hong Kong Stock Exchange from 2:30 p.m. on 5 August 2009.

**Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

### **THE SUBSCRIPTION AGREEMENTS**

**Date:** 5 August 2009

**Issuer:** The Company

**Subscribers:**

- (I) FV Green Alpha II, in relation to the subscription of convertible bonds in the principal amount of HK\$687 million
- (II) West Hill, in relation to the subscription of convertible bonds in the principal amount of HK\$78 million

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Subscribers and its ultimate beneficial owners is not a connected person of the Company and is third party independent of and not connected with the connected persons (as defined in the Listing Rules) of the Company and is not acting in concert with any of the connected person(s) and each other.

**Issue Size:**

The aggregate principal amount of the Convertible Bonds is HK\$765 million.

Based on the initial Conversion Price of HK\$3.10 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 246,774,193 Conversion Shares, representing approximately 12.34% of the issued share capital of the Company as at the date of this announcement and approximately 10.98% of the issued share capital of the Company as enlarged assuming full conversion of the Convertible Bonds.

The Conversion Shares will be allotted and issued pursuant to the general mandate of the Company granted to the Directors at the annual general meeting held on 12 May 2009 and will rank *pari passu* in all respects with the existing Shares then in issue. The issue of the Conversion Bonds is not subject to the approval of the Shareholders.

**Conditions Precedent**

Closing of each of the Subscription Agreements is conditional upon:

1. the representations and warranties of the Company set out in each of the Subscription Agreements shall be true, accurate and correct in all material respects at and as if made on the Closing Date;
2. the Company shall have obtained the listing approval from the Hong Kong Stock Exchange in relation to the New Shares on or before the Closing Date;
3. the Company shall have performed all of its obligations under the Subscription Agreement expressed to be performed on or before the Closing Date;
4. a Change of Control shall not have occurred in respect of the Company; and
5. other than as disclosed in this announcement, there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the condition, financial or otherwise, or in the earnings, prospects, operations, trading position, business or general affairs of the Group (including as revealed in the consolidated financial statements of the Group for the year ended 31 December 2008), which, in the sole opinion of the Subscriber, is material and adverse in the context of the issue of the Convertible Bonds.

If any of the conditions above is not satisfied as at the Closing Date of the respective Subscription Agreements or otherwise waived by the Subscribers on or before the Closing Date, the Company and each of the Subscribers shall be released and discharged from their obligations under the respective Subscription Agreements.

## **Termination**

The Subscribers may, by notice in writing to the Company given at any time prior to the time on the respective Closing Date, terminate the respective Subscription Agreements in any of the following circumstances if:

1. there is any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations made by the Company in the Subscription Agreement or any failure to perform any of the Company's undertakings or agreements in the Subscription Agreement;
2. any of the conditions precedent specified in the Subscription Agreement has not been satisfied or waived by the relevant Subscriber;
3. there shall have occurred any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls which would reasonably be likely to prejudice materially the success of the transactions contemplated herein;
4. there shall have occurred an outbreak or escalation of hostilities or act of terrorism which would in the Subscriber's view be likely to prejudice materially the distribution of the Convertible Bonds in the secondary market;
5. on or after the date of the Subscription Agreement there shall have occurred either of the following:
  - (a) a suspension or material limitation of trading in securities generally on the New York Stock Exchange, the Nasdaq Stock Market Inc., the London Stock Exchange plc or the Hong Kong Stock Exchange; or
  - (b) a suspension in trading in the Company's securities on the Hong Kong Stock Exchange, for five consecutive business days occurring after the date of the Subscription Agreement which would in the Subscriber's view be likely to prejudice materially the success of the transactions contemplated the Subscription Agreement.

Upon such notice being given, the relevant Subscription Agreement shall terminate and be of no further effect and no party shall be under any liability to any other in respect of the relevant Subscription Agreements, except that each of the Company and the relevant Subscriber shall remain liable for any antecedent breaches of the provisions thereof.

## **Closing**

Closing of each of the Subscription Agreements shall take place on the respective Closing Date. Each of the Subscription Agreements is not inter-conditional and is independent of each other.

## **Board Representation (For FV Green Alpha II Only)**

On and from the Closing Date of the Subscription Agreement entered into with FV Green Alpha II and for such time as FV Green Alpha II (together with its Affiliates) holds, directly or indirectly, the Governance Rights Proportion, FV Green Alpha II shall to the extent permitted under the applicable law, the Codes on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission in Hong Kong and the Listing Rules as from time to time amended have the right from time to time to nominate one person to be appointed and to continue in office as a non-executive Director by giving notice in writing to the Company (such person being an “**Investor Director**”), provided that such person fulfils the requirements under the applicable law, the Articles of Association and the Listing Rules with respect to the appointment of a director and FV Green Alpha II will not be deemed to be a connected person of the Company under the Listing Rules as a result of the appointment of the Investor Director. FV Green Alpha II will ensure that it will not become an associate of the Investor Director and thus a connected person of the Company during the office of the Investor Director.

## **Restrictive Covenant of the Subscribers**

Each of the Subscribers agrees and undertakes to the Company that it shall not exercise its conversion right to convert the Convertible Bonds into Conversion Shares or exercise its Warrants, in whole or in part, if upon such conversion of the Convertible Bonds or exercise of the Warrants, it will hold interest in the issued share capital of the Company which will entitle it to exercise, or control the exercise of, 10% or more of the voting power of the general meeting of the Company. Each of the Subscribers also undertakes to the Company that it will notify the Company as soon as it becomes a connected person of the Company for whatever reasons.

## Lock-up Undertakings

The Company (subject to terms of the respective Subscription Agreements) undertakes to each of the Subscribers that, from the date of the Subscription Agreements and for a period of 180 days after the Closing Date, it will not issue, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for Shares) or enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise or publicly announce any intention to issue, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) or enter into any swap or similar agreement described above or deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depositary receipt facility, without the prior written consent of the Subscriber.

The undertaking above shall not apply to securities (including rights, warrants or options) which are issued to or for the benefit of employees, former employees, contractors or former contractors (including directors holding or formerly holding executive office) of the Company or any of its subsidiaries, pursuant to:

- (a) the Pre-IPO Share Option Scheme; or
- (b) any share option scheme or plan that is duly adopted by the Company in accordance with the Listing Rules provided that the Shares or other securities issued pursuant to such share option scheme or plan make up 1% or less of the then issued share capital of the Company and Shares or other securities are issued pursuant to any such share option scheme or plan of the Company no more frequently than once every 12 months.

## PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Save for the identity of each of the Subscribers, the principal amount of the Convertible Bonds subscribed by each of the Subscribers and the number of Conversion Shares to be allotted and issued to each of the Subscribers upon full conversion of the Convertible Bonds, the principal terms of the Convertible Bonds to be issued to the two Subscribers are identical and summarised as follows:

Issuer:	The Company.
Principal amount of the Convertible Bonds:	HK\$765 million, HK\$687 million of which will be subscribed by FV Green Alpha II and HK\$78 million of which will be subscribed by West Hill.
Maturity Date:	the date falling on the fifth anniversary from the Issue Date.
Issue price:	100% of the principal amount of the Convertible Bonds.
Coupon rate:	4.9% per annum.
Yield to Maturity (applicable to early redemption only)	with respect to any outstanding Convertible Bond as of any date of determination, the remainder of (a) a gross yield to maturity of 8% per annum, calculated on the Principal Amount therefore for the period from and including the Issue Date to but excluding such date of determination, on an annual compounding basis rounded (if necessary) to two decimal places, with 0.005 being rounded upwards minus (b) all interest paid thereon on or prior to such date of determination.
Conversion Period:	Subject to the Restrictive Covenant, the Conversion Right attaching to any Convertible Bond may be exercised, at the option of each Bondholder, at any time on or after six (6) months from the Issue Date up to the close of business on the Maturity Date or if such Convertible Bond shall have been called or put for redemption at any time on or after the Issue Date, then up to the close of business on a date no later than five (5) business days prior to the date fixed for redemption.



Initial Conversion Price:

The initial Conversion Price is HK\$3.10 per Conversion Share.

The initial Conversion Price is subject to adjustment, pursuant to and subject to the terms and conditions of the Bond Instrument, upon the occurrence of certain prescribed events, including without limitation, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities and issues at less than current market price. The Conversion Price may not be reduced so that, on conversion of the Convertible Bonds, the Conversion Shares would fall to be issued at a discount to their par value or would require the Conversion Shares to be issued in any other circumstances not permitted by applicable law.

No adjustment shall be made to the Conversion Price where Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees, former employees, contractors or former contractors (including directors holding or formerly holding executive office) of the Company or any of its subsidiaries, pursuant to any share option scheme or plan that is duly adopted by the Company in accordance with the Listing Rules provided that (i) the Shares or other securities issued, offered, exercised, allotted, appropriated, modified or granted pursuant to such share option scheme or plan make up 1% or less of the then issued share capital of the Company; and (ii) Shares or other securities are issued, offered, exercised, allotted, appropriated, modified or granted pursuant to any such share option scheme or plan of the Company no more frequently than once every 12 months. Notwithstanding the above, no adjustment shall be made to the Conversion Price where Shares are issued pursuant to exercise of the options granted under the Pre-IPO Share Option Scheme.

Conversion Shares: 246,774,193 Conversion Shares, representing approximately 12.34% of the issued share capital of the Company as at the date of this announcement and approximately 10.98% of the issued share capital of the Company as enlarged assuming full conversion of the Convertible Bonds.

Redemption for taxation reasons: At any time the Company may, having given not less than 30 days' nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with the terms and conditions of the Bond Instrument (which notice shall be irrevocable), redeem all, but not some only, of the Convertible Bonds at a redemption price equal to their Early Redemption Amount plus any accrued but unpaid interest thereon on the date fixed for redemption in the Tax Redemption Notice (the "**Tax Redemption Date**"), if: (A) the Company certifies to the Bondholders immediately prior to the giving of such notice that the Company has or will become obliged to pay additional amounts as referred to in the terms and conditions of the Bond Instrument as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the first Issue Date; and (B) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Convertible Bonds then due.

Subject to terms and conditions of the Bond Instrument, the Company will be bound to redeem the Convertible Bonds on the Tax Redemption Date at an amount equal to the Principal Amount plus the Yield to Maturity.

If the Company gives a Tax Redemption Notice pursuant to the terms of the Bond Instrument, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the relevant provisions of the Bond Instrument shall not apply in respect of any payment of principal to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date whereupon no additional amounts shall be payable in respect thereof pursuant to the relevant provisions of the Bond Instrument and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to the Bond Instrument, the relevant Bondholder must complete, sign and deposit at his own expense during normal business hours at the Company's principal place of business in Hong Kong no later than the day falling 10 days prior to the Tax Redemption Date a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the Company's principal place of business in Hong Kong, together with the Bond certificate evidencing the Convertible Bonds.

<p>Redemption at the option of the Company:</p>	<p>On giving not less than 30 days' nor more than 60 days' notice to the Bondholders, the Company may redeem at any time during the Early Redemption Period all, but not some only, of the Convertible Bonds at the Early Redemption Amount plus any accrued but unpaid interest thereon on the redemption date, provided that the closing price of the Shares (as derived from the daily quotations sheet of the Hong Kong Stock Exchange) for each of the thirty (30) consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the Conversion Price.</p>
<p>Redemption at the option of the Bondholders:</p>	<p>The Company will, at the option of any Bondholder, redeem all or some of such Subscriber's Convertible Bonds at any time within the Early Redemption Period, in each case, at the Early Redemption Amount plus any accrued but unpaid interest thereon.</p>
<p>Redemption for delisting and Change of Control:</p>	<p>Following the occurrence of any of the following events:</p> <ol style="list-style-type: none"> <li data-bbox="603 1191 1525 1326">(1) when the Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange or, if applicable, an Alternative Stock Exchange; or</li> <li data-bbox="603 1393 1525 1438">(2) when there is a Change of Control,</li> </ol> <p>each Bondholder will have the right at his/her/its option, to require the Company to redeem all or some only of his/her/its Convertible Bonds at the Early Redemption Amount plus any accrued but unpaid interest thereon.</p>

Redemption for breach of financial covenants	<p>The Bondholder will have the right at its option, to require the Company to redeem any Convertible Bond held by him at the Early Redemption Amount plus any accrued but unpaid interest thereon if:</p> <ul style="list-style-type: none"> <li>(a) as at June 30 and December 31 of each year the Company fails to maintain a Net Debt (as defined in the Bond Instrument) to Equity (as defined in the Bond Instrument) ratio equal to or lower than 75%; and</li> <li>(b) with respect to each half year period ending June 30 and December 31 of each year, the Company fails to maintain a Consolidated EBITDA (as defined in the Bond Instrument) to Interest (as defined in the Bond Instrument) ratio equal to at least 500%.</li> </ul>
Transferability:	The Convertible Bonds are freely transferable, subject to the terms and conditions of the Convertible Bonds (as set out in the Bond Instrument) .
Denomination:	HK\$100,000 each or integral multiples thereof.
Voting rights:	Before conversion of the Convertible Bonds, the Bondholder will not have any right to attend or vote at any general meeting of the Company.
Listing:	The Convertible Bonds will not be listed on the Hong Kong Stock Exchange or any other stock exchange. An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in the Conversion Shares.

## **COMPARISON OF CONVERSION PRICE**

The initial Conversion Price of HK\$3.10 represents:

- (1) a premium approximately of 29.7% over the closing price of the Shares of HK\$2.39 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (2) a premium approximately of 31.9% over the volume weighted average closing price of the Shares of HK\$2.35 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (3) a premium approximately of 29.2% over the volume weighted average closing price of the Shares of HK\$2.40 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscribers with reference to the closing price of the Shares quoted on the Hong Kong Stock Exchange on the Last Trading Day.

## **PRINCIPAL TERMS OF THE WARRANTS**

Save for the identity of each of the Subscribers, the principal amount of the Warrants subscribed by each of the Subscribers and the number of Warrant Shares to be allotted and issued to each of the Subscribers upon full exercise of the Warrants, the principal terms of the Warrants to be issued to the two Subscribers are identical and summarised as follows:

Issuer: The Company.

Number of Warrants: 76,097,561 Warrants, 68,338,594 Warrants of which are subscribed by FV Green Alpha II and 7,758,967 of which are subscribed by West Hill.

Issue price and consideration: The Warrants will be issued as nil-paid Warrants and no consideration shall be payable by the Subscribers for the Warrants.

Initial Exercise Price: The initial Exercise Price is HK\$4.10 per Share.

The initial Exercise Price is subject to adjustment, pursuant to and subject to the terms and conditions of the Warrant Instrument, upon the occurrence of certain prescribed events, including without limitation, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities and issues at less than current market price. The initial Exercise Price may not be reduced so that, on exercise of the Warrants, the Warrant Shares would fall to be issued at a discount to their par value or would require the Warrant Shares to be issued in any other circumstances not permitted by applicable law.

No adjustment shall be made to the initial Exercise Price where Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees, former employees, contractors or former contractors (including directors holding or formerly holding executive office) of the Company or any of its subsidiaries, pursuant to any share option scheme or plan that is duly adopted by the Company in accordance with the Listing Rules, provided that (i) the Shares or other securities issued, offered, exercised, allotted, appropriated, modified or granted pursuant to such share option scheme or plan make up 1% or less of the then issued share capital of the Company; and (ii) Shares or other securities are issued, offered, exercised, allotted, appropriated, modified or granted pursuant to any such share option scheme or plan of the Company no more frequently than once every 12 months. Notwithstanding the above, no adjustment shall be made to the Exercise Price where Shares are issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme adopted by the Company on 14 May 2008.

Exercise Period:	Each Warrantholder may exercise its Warrants during the period commencing on the date of issue of the Warrants and expiring on the fifth anniversary of the date of issue of the Warrants.
Warrant Shares:	The Warrants entitle the Warrantholders to subscribe for a maximum of 76,097,561 Warrant Shares which represents approximately 3.80% of the issued share capital of the Company as at the date of this announcement and approximately 3.67% of the issued share capital of the Company as enlarged, assuming the Warrants are fully exercised and no other issue of Shares is made before the Warrants are fully exercised.
Transferability:	The Warrants are freely transferable, subject to the terms and conditions of the Warrant Instrument.
Listing:	The Warrants will not be listed on the Hong Kong Stock Exchange or any other stock exchange. An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in the Warrant Shares.

## **COMPARISON OF EXERCISE PRICE**

The initial Exercise Price of HK\$4.10 represents:

- (1) a premium approximately of 71.5% over the closing price of the Shares of HK\$2.39 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (2) a premium approximately of 74.5% over the volume weighted average closing price of the Shares of HK\$2.35 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (3) a premium approximately of 70.8% over the volume weighted average closing price of the Shares of HK\$2.40 per Share for the last ten consecutive trading days up to and including the Last Trading Day.



## **LOCK UP UNDERTAKINGS OF JOY BRIGHT AND MR. WU TO EACH OF THE SUBSCRIBERS**

Mr. Wu and Joy Bright jointly and severally undertake to each of the Subscribers that, from the date of the respective Subscription Agreements and for a period of 360 days after the respective Closing Date thereof, neither they nor any person controlled by them nor any person acting on their behalf will offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for Shares) or enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise or publicly announce any intention to offer, lend, sell, pledge, contract to sell, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) or enter into by any swap or similar agreement described above or deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depository receipt facility, without the prior written consent of the Subscriber.

## **GENERATE MANDATE**

By a resolution of the shareholders of the Company passed at the annual general meeting of the Company held on 12 May 2009, the Company granted a general mandate to the Directors to allot and issue up to 20% of the issued share capital of the Company, being 400,000,000 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the general mandate granted. As at the date of this announcement, the Company is entitled to issue up to 400,000,000 Shares pursuant to such general mandate. It is intended that the Conversion Shares and the Warrant Shares will be allotted and issued under such general mandate.

## **REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS WITH THE WARRANTS**

The Board considers that the entry into the Subscription Agreements and the issue of the Convertible Bonds and the Warrants will enlarge and diversify the capital base of the Company and provide an opportunity to raise immediate funding for the purposes as set out in the paragraph headed “Use of Proceeds” below. The Board considers that the terms of each of the Subscription Agreements are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

### **USE OF PROCEEDS**

The estimated net proceeds from the issue of the Convertible Bonds, after deduction of commission and administrative expenses will be approximately HK\$762 million. The Board intends to use such net proceeds for acquiring minority interests, purchase of land banks and general working capital.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below summarises the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon full conversion of the Convertible Bonds; (iii) upon exercise of the Warrants in full; and (iv) upon full conversion of the Convertible Bonds and exercise of the Warrants in full:-

Shareholder	As at the date of this announcement		Assuming full conversion of the Convertible Bonds at the Conversion Price of HK\$3.10 each per Conversion Share		Assuming exercise of the Warrants in full at the Exercise Price of HK\$4.10 per Warrant Share		Assuming full conversion of the Convertible Bonds at the Conversion Price of HK\$3.10 per Conversion Share and exercise of the Warrants in full at the Exercise Price of HK\$4.10 per Warrant Share	
	No. of Shares	Approximate percentage of the issued share capital (%)	No. of Shares	Approximate percentage of the issued share capital (%)	No. of Shares	Approximate percentage of the issued share capital (%)	No. of Shares	Approximate percentage of the issued share capital (%)
Joy Bright <sup>Note 1</sup>	944,246,820	47.21	944,246,820	42.03	944,246,820	45.48	944,246,820	40.65
CapitaLand LF (Cayman) Holdings Co., Ltd. <sup>Note 2</sup>	542,105,625	27.11	542,105,625	24.13	542,105,625	26.11	542,105,625	23.34
Super Joy <sup>Note 3</sup>	13,647,555	0.68	13,647,555	0.61	13,647,555	0.66	13,647,555	0.59
FV Green Alpha II <sup>Note 4</sup>	—	—	221,612,903	9.86	68,338,594	3.29	289,951,497	12.48
West Hill	—	—	25,161,290	1.12	7,758,967	0.37	32,920,257	1.42
Other public Shareholders	500,000,000	25.00	500,000,000	22.25	500,000,000	24.08	500,000,000	21.53
Total	2,000,000,000	100	2,246,774,193	100	2,076,097,561	100	2,322,871,754	100

### Notes:

1. Mr. Wu, the Chairman of the Company, holds 100% of the issued share capital of Joy Bright and is deemed to be interested in the Shares held by Joy Bright for the purposes of the SFO.
2. CapitaLand LF (Cayman) Holdings Co., Ltd. is directly wholly owned by CapitaLand China Holdings Pte Ltd, CapitaLand China Holdings Pte Ltd is directly wholly owned by CapitaLand Residential Limited and CapitaLand Residential Limited is directly wholly owned by CapitaLand Limited. Temasek Holdings (Private) Limited has an interest in approximately 41.5% of the issued share capital of

CapitaLand Limited. Therefore, each of CapitaLand China Holdings Pte Ltd, CapitaLand Residential Limited, CapitaLand Limited and Temasek Holdings (Private) Limited is deemed or taken to be interested in all the Shares which are owned by CapitaLand (Cayman) Holdings Co., Ltd. for the purposes of the SFO.

3. Mr. Wang Tianye, an executive Director, holds 100% of the issued share capital of Super Joy and is deemed to be interested in the Shares held by Super Joy for the purposes of the SFO.
4. FV Green Alpha II has specifically undertaken in its Subscription Agreements that it shall not convert its Convertible Bonds or exercise its Warrants, either in whole or in part, if upon such conversion of the Convertible Bonds or exercise of the Warrants, it will hold interests in the Shares which will entitle it to exercise, or control the exercise of, 10% or more of the voting power at the general meeting of the Company. As such, FV Green Alpha II will not become a substantial Shareholder and connected person of the Company. Both FV Green Alpha II and West Hill will become public Shareholders and the Company will be able to comply with the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

## **FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has not carried out any capital fund raising activities since the listing of its Shares on the Main Board of the Hong Kong Stock Exchange on 6 June 2008.

## **INFORMATION ABOUT FV GREEN ALPHA II**

FV Green Alpha II is a special purpose vehicle incorporated in the Cayman Islands, wholly owned by FountainVest China Growth Fund and its affiliates (“**FountainVest**”).

FountainVest is one of the largest private equity funds dedicated to the China market. With support from some of the world’s largest and most established institutional investors, FountainVest seeks to back industry leaders and emerging champions in China. It aims to build a long-standing partnership with such companies run by strong management teams.

## **GENERAL**

**Completion of each of the Subscription Agreements is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreements may be terminated in certain circumstances. Please refer to the paragraph headed “The Subscription Agreements” above for further information.**

## **BUSINESS UPDATE OF THE GROUP**

While confident of the long-term prospects of the economic development in Henan Province, and the solid growth potential of the Group in the next few years, the Board wishes to inform the Shareholders and potential investors that it is expected that the Group's interim results for the six months ended 30 June 2009 and the annual results for the year ending 31 December 2009 are expected to decline meaningfully as compared with the corresponding periods in 2008. The Board believes that the decline is primarily attributable to: 1) the material adverse impact of the global financial crisis on the property market in Henan; 2) the Company's prudent decision earlier to push back the launching and completion of certain projects given the market downturn; and 3) margin decline due to lower percentage of revenue contribution from commercial properties in 2009.

The Board estimates that total gross floor area ("GFA") of approximately 166,000 sq.m. were delivered in the six months ended 30 June 2009, and 800,000 sq.m. will be delivered for the full year of 2009. In comparison, 307,734 sq.m. and 722,930 sq.m. were delivered respectively for the corresponding periods in 2008. On a full year basis, the Board expects that the average selling price (the "ASP") per sq. m. in 2009 will be in the range of RMB3,700 to RMB3,900, as compared to RMB4,151 in 2008. Due to the successful sale of a sizeable commercial property (Landmark (Zhengzhou)) in 2008, the overall ASP and profit margins were at a higher level in 2008 relative to what the Company has expected to achieve in 2009. Going forward, residential projects will continue to be the primary focus of the Group.

For the six months ended 30 June 2009, the Company entered into sale contracts with an aggregate value of approximately RMB1.34 billion. Compared to approximately RMB1.44 billion for the same period in 2008, total contract sales decreased by 7.5%. The decline was primarily attributable to the delay in development schedule of certain projects given the adverse market condition. The Board has therefore revised the 2009 target value of total contracted sales to RMB3.0 billion.

The Company intends to use part of the proceeds from the issue of the Convertible Bonds to buy out minority ownership in certain joint venture projects that the Group currently operates. The Board believes that successful acquisitions of the said minority interests should make a meaningful contribution to the Group's earnings in 2009 and onwards.

The Board believes that the expected profit decline in 2009 is only temporary, and is pleased with the Group's current projects pipeline, which well positions the Group to further enhance the leadership position in Henan Province and to achieve substantial growth in revenue and net profit beyond 2009.

The Group will continue to focus in Henan Province where GDP and urbanization growth rates are higher than China's national average. It also has much lower volatility in housing price, as compared with that of the major and coastal cities in China. The Board is pleased to see strong evidence of real estate market recovery in Henan, and believes that it is a highly attractive market that supports sustainable growth of the Group in the long term.

The Company is still in the process of finalizing the interim results of the Group for the six months ended 30 June 2009. The information contained in the "Business Update of the Group" portion of this announcement is only a preliminary assessment of the Board based on the consolidated management accounts of the Group, which have not been reviewed or audited by the auditors of the Company.

Shareholders of the Company and potential investors are advised to read carefully the unaudited consolidated interim results announcement of the Group for the six months ended 30 June 2009, which is expected to be released before the end of September 2009.

### **Forward-Looking Statements**

Forward-looking statements in this announcement are based on current expectations. These statements are not guarantees of future events or results. Future events and results involve some risks, uncertainties and assumptions that are difficult to predict. Actual events and results could vary materially from the description contained herein due to many factors including changes in the market, changes in the business and financial condition of the Company and its subsidiaries.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

### **RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares on the Hong Kong Stock Exchange has been suspended from 9:30 a.m. on 5 August 2009 pending the release of this announcement. Application has been made to the Hong Kong Stock Exchange for the resumption of trading of the Shares on the Hong Kong Stock Exchange from 2:30 p.m. on 5 August 2009.

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Affiliate”	of any specified person any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person;
“Alternative Stock Exchange”	at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;
“Articles of Association”	the articles and association of the Company (as amended and supplemented from time to time);
“ASP”	average selling price;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Bondholder(s)”	holder(s) of the Convertible Bond(s) from time to time;
“Bond Instrument”	the instrument executed as a deed by the Company constituting the Convertible Bonds in the form set out in the Subscription Agreements;
“Board”	the board of Directors;
“Business Day”	a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong;

“Change of Control”

occurs when either:

- (a) the Major Shareholder ceases, directly or indirectly, to own beneficially 30 per cent. or more of the voting rights attaching to the issued share capital of the Company;
- (b) the Major Shareholder ceases, directly or indirectly, to own beneficially 30 per cent or more of the issued share capital of the Company which is not
  - (i) subject to a share lending scheme; or
  - (ii) charged, mortgaged or otherwise pledged to a third party;
- (c) any person or persons (other than the Major Shareholder), acting individually or together, directly or indirectly, acquires control of the Company; or
- (d) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquires control in the Company or the successor entity;

“Closing Date”

in respect of each Subscription Agreement, being the date which is thirty days after the date of the relevant Subscription Agreement, or such other date as shall be agreed between the Company and the Subscribers. The Closing Dates for the two Subscription Agreements may fall on different dates;

“Company”

Central China Real Estate Limited (建業地產股份有限公司\*), an exempted company incorporated on 15 November 2007 under the laws of the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Hong Kong Stock Exchange;



“Conversion Period”	a period commencing on the end of six months from the date of issue of the Convertible Bonds and expiring on the Maturity Date (both days inclusive)
“Conversion Price”	the price at which the Conversion Shares will be issued upon conversion of the Convertible Bonds which will be HK\$3.10 per Conversion Share;
“Conversion Shares”	246,774,193 new Shares to be allotted and issued by the Company to the Subscribers upon full conversion of the Conversion Bonds, out of which 221,612,903 Shares and 25,161,290 Shares will be allotted and issued to FV Green Alpha II and West Hill respectively;
“Convertible Bonds”	the HKD denominated 4.9% convertible bonds due 2014 with an aggregate principal amount of HK\$765 million, and “Convertible Bond” means any one of them;
“Director(s)”	the director(s) of the Company;
“Early Redemption Amount”	the Principal Amount plus the Yield to Maturity;
“Early Redemption Period”	any time after the third anniversary of the Issue Date but not less than 14 Business Days prior to the Maturity Date;
“Exercise Price”	the price at which the Warrant Shares will be issued upon exercise of the Warrants which will initially be HK\$4.10 per Warrant Share;
“FV Green Alpha II”	FV GREEN ALPHA TWO LIMITED, a company incorporated under the laws of the Cayman Islands whose registered office is at c/o Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands;
“GDP”	gross domestic product;
“GFA”	gross floor area;

“Governance Rights Proportion”	an interest in such number of Shares, whether directly or indirectly, by holding the legal and/or beneficial title to Shares and/or through any holding of Securities (as defined in the Subscription Agreements), as is equal to or more than 5% of the issued share capital of the Company on a fully diluted basis, assuming full conversion of the Convertible Bonds and full exercise of the Warrants;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issue Date”	the date of issue of any Convertible Bond;
“Joy Bright”	Joy Bright Investments Limited (恩輝投資有限公司), a limited liability company incorporated on 11 May 2006 in the British Virgin Islands, which is wholly owned by Mr. Wu, the Chairman of the Company and an executive Director;
“Last Trading Day”	4 August 2009, being the last full trading day immediately before the release of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Maturity Date”	the date falling on the fifth anniversary from the Issue Date;
“Major Shareholder”	Mr. Wu;
“Mr. Wu”	Mr. Wu Po Sum, the Chairman, an executive Director and a controlling Shareholder;
“New Shares”	comprise Conversion Shares and Warrant Shares;

“PRC” or “China”	the People’s Republic of China;
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company pursuant to the written resolutions passed by the Shareholders on 14 May 2008;
“Principal Amount”	the principal amount of the respective Convertible Bonds, expressed in Hong Kong Dollars;
“Restrictive Covenant”	the restrictive covenant given by each of the Subscribers as referred to in the paragraph headed “Restrictive Covenant of the Subscribers” in this announcement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holders of the Share(s);
“sq.m.”	square metre(s);
“Subscribers”	FV Green Alpha II and West Hill, and “Subscriber” means any one of them;
“Subscription Agreements”	the subscription agreements between the Company and each of the Subscribers dated 5 August 2009 in respect of the subscription of the Convertible Bonds, which will be issued in conjunction with the Warrants, and “Subscription Agreement” means any one of them;
“Super Joy”	Super Joy International Limited (卓愉國際有限公司), a limited liability company incorporated on 19 February 2007 in the British Virgin Islands, which is wholly owned by Mr. Wang Tianye, an executive Director;

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Warrants”	76,097,561 unlisted warrants carrying the rights to subscribe for 76,097,561 new Shares at the Exercise Price during the Exercise Period, and “Warrant” means any one of them;
“Warrantholder(s)”	the holder(s) of the Warrants from time to time;
“Warrant Instrument”	the instrument to be executed as a deed by the Company constituting the Warrants in the form set out in the Subscription Agreements;
“Warrant Shares”	76,097,561 new Shares to be allotted and issued by the Company upon full exercise of the Warrants by the Subscribers;
“West Hill”	West Hill Asia Limited;
“Yield to Maturity”	has the meaning as defined in the section headed “Principal Terms of the Convertible Bonds” in this announcement; and
“%”	per cent.

By Order of the Board  
**Central China Real Estate Limited**  
**Wu Po Sum**  
*Chairman*

Hong Kong, 5 August 2009

*As at the date of this announcement, the executive Directors are Mr. Wu Po Sum, Mr. Wang Tianye, Ms. Yan Yingchun; the non-executive Directors are Mr. Lim Ming Yan, Mr. Leow Juan Thong Jason and Ms. Wallis Wu; and the independent non-executive Directors are Mr. Cheung Shek Lun, Mr. Fang Fenglei and Mr. Wang Shi.*

\* *For identification purposes only*