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## China Uptown Group Company Limited

中國上城集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

FINANCIAL ADVISER TO THE COMPANY



### PROPOSED ISSUE OF 4.0% CONVERTIBLE BONDS DUE 2013

#### PROPOSED ISSUE OF CONVERTIBLE BONDS

On 16 September 2010 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber relating to the issue and subscription of the secured Convertible Bonds at an aggregate principal amount of HK\$160 million with a coupon rate of 4% per annum due 2013.

Based on the initial Conversion Price of HK\$0.59 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 271,186,440 Conversion Shares, representing approximately 31.8% of the issued share capital of the Company as at the date of this announcement and approximately 24.1% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercising the conversion right attaching to the Convertible Bonds in full. The initial Conversion Price shall be subject to adjustment from time to time in accordance with the terms of the Convertible Bonds.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be granted to the Directors at the EGM. The Conversion Shares will rank *pari passu* in all respects with the existing Shares in issue. The estimated net proceeds from the issue of the Convertible Bonds of approximately HK\$155.8 million will be applied towards settling the entire outstanding amount due to Bank of China, Shenzhen Branch.

The Subscription is conditional upon, among other things, (i) the approval from the Shareholders at the EGM and (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Conversion Shares. If such conditions are not fulfilled, the Subscription will not proceed.

An EGM will be held to consider and, if thought fit, passing the resolutions to approve (i) the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares; and (ii) the grant of the Specific Mandate.

A circular containing, among other things, further details of the Subscription Agreement, the Subscription, the grant of the Specific Mandate together with the notice of the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **THE SUBSCRIPTION AGREEMENT**

**Date:** 16 September 2010 (after trading hours)

**Issuer:** The Company

**Subscriber:** Zilver Yuan Investment Partners Ltd., a wholly-owned subsidiary of Bank of China Group Investment Limited.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Subscriber 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.

### **Conditions Precedent**

Completion of the Subscription Agreement is conditional upon:

- (a) the passing by the Shareholders at the EGM in respect of the resolutions for approving the Subscription Agreement, the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares upon exercise of the conversion right attaching to the Convertible Bonds;
- (b) listing of and permission to deal in all of the Conversion Shares being granted by the Listing Committee of the Stock Exchange;
- (c) the warranties of the Company under the Subscription Agreement remaining true and accurate in all material respects, and not misleading in any material respect, as given on the date of the Subscription Agreement and at Completion;
- (d) the Company shall have performed all of its obligations hereunder expressed to be performed on or before the Completion Date;

- (e) the Company shall have executed and delivered to the Subscriber the Share Charge under seal, completed all relevant registration in relation to the Share Charge under the laws of the Cayman Islands and Hong Kong and delivered to the Subscriber a legal opinion, the content of which shall be to the satisfaction of the Subscriber, shall have been issued by lawyers qualified to practise the laws of the Cayman Islands in relation to the Share Charge;
- (f) the creation of the Share Charge having been updated, entered into and shown in the register of members of the BVI Subsidiary and the Company having delivered to the Subscriber a certificate of incumbency showing the same to the satisfaction of the Subscriber;
- (g) the BVI Subsidiary shall have executed and delivered to the Subscriber the Guarantee under seal, completed all relevant registration in relation to the Guarantee under the laws of the British Virgin Islands (if necessary) and delivered to the Subscriber a legal opinion, the content of which shall be to the satisfaction of the Subscriber, shall have been issued by lawyers qualified to practise the laws of the British Virgin Islands in relation to the Guarantee;
- (h) the Company having delivered to the Subscriber an original certificate of good standing of the BVI Subsidiary issued not more than 7 days before the Completion Date;
- (i) an original letter signed and issued by the BVI Subsidiary to its registered agent in the British Virgin Islands notifying the registered agent of the change of contact person as approved by the Subscriber with respect to the BVI Subsidiary from the Completion Date;
- (j) a release instructions duly signed by the nominee(s) of the Company in the form as stipulated in the Escrow Agreement instructing Bank of China (Hong Kong) Limited to release from the Escrow Account the First Loan Repayment Amount to the Subscriber or its designated nominee(s);
- (k) the Company having delivered to the Subscriber a release instruction duly signed by the nominee(s) of the Company and the Subscriber in the form as stipulated in the Escrow Agreement instructing Bank of China (Hong Kong) Limited to release from the Escrow Account a sum of RMB50,000,000 or its Hong Kong Dollars equivalent to the Company after the Company has duly repaid RMB50,000,000 to the PRC Creditor; and
- (l) there shall not have any change, or development or event likely to involve a prospective change, in the condition (financial or otherwise), results of operations, business or properties of the Group, which is material and adverse and which makes it impracticable to subscribe for the Convertible Bonds on the terms and in the manner contemplated therein.

The Company will use its reasonable endeavours to procure the fulfillment of the conditions precedent in particular paragraphs (a) and (b) above as soon as practicable and in any event at or before 5:00 p.m. on the Long Stop Date.

If any of the above conditions is not fulfilled on or before 5:00 p.m. on the Long Stop Date (or such other time and date as the Subscriber shall agree in writing), the Subscription Agreement shall lapse and become null and void and both the Company and the Subscriber will be released from all obligations under the Subscription Agreement (save for liabilities for any antecedent breaches thereof).

## **Completion**

Completion of the Subscription Agreement shall take place on a date which is ten Business Days after all of the conditions precedent have been fulfilled by the Company or, as the case may be, waived by the Subscriber (or such later date as the Company and the Subscriber may agree in writing). Further announcement will be made by the Company upon completion of the Subscription.

## **Board Representation**

In consideration of the entering into of the Subscription Agreement by the Subscriber, so long as the Subscriber and/or its Affiliates in aggregate holds more than 10% of the Company's issued shares capital (on a fully converted basis) before and/or after the exercise of the conversion right attaching to the Convertible Bonds, the Subscriber and/or its Affiliates shall be entitled to jointly nominate one (1) representative to be a non-executive Director (the "Nominated Director"). The Company undertakes that the Board shall procure all necessary actions to be done to effect such appointment from time to time.

For the avoidance of doubt, if any Nominated Director is removed by a resolution of the Shareholders, or is not re-appointed by the Shareholders at any annual general meeting, the Company shall not be considered to be in breach of the abovementioned provision in the Subscription Agreement.

## **Conversion Price**

The initial Conversion Price is HK\$0.59, which is equivalent to 70% of the volume weighted average price of the Shares for the last sixty trading days prior to the date of the Subscription Agreement.

The Conversion Price shall be adjusted on each of the first and second anniversaries of the Issue Date if the volume weighted average price of the Shares over the preceding calendar month is less than 85% of the applicable Conversion Price. The new Conversion Price will then be adjusted to a price which is equal to 85% of the Conversion Price immediately before the adjustment.

Upon the occurrence of certain prescribed events, including without limitation, consolidation, subdivision or reclassification of the Shares, capitalisation of profits or reserves, capital distributions, rights issues of the Shares or options over the Shares, rights issues of other securities and issues at less than current market price, the Conversion Price will also be adjusted. The Company will publish an announcement upon any adjustment to the Conversion Price as required under the Listing Rules.

## **Conversion Shares**

Assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 271,186,440 Conversion Shares, representing approximately 31.8% of the issued share capital of the Company as at the date of this announcement and approximately 24.1% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercising the conversion right attaching to the Convertible Bonds in full.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be granted to the Directors at the EGM. The Conversion Shares will rank *pari passu* in all respects with the existing Shares in issue.

## **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

The principal terms of the Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount of the Convertible Bonds:	HK\$160 million
Maturity Date:	The Convertible Bonds will be for a term of 3 years commencing from the Issue Date
Issue Price:	100% of the principal amount of the Convertible Bonds
Coupon Rate:	4.0% per annum, payable semi-annually
Conversion Period:	The conversion right attaching to the Convertible Bonds may be exercised, at the option of each Bondholder, at any time on or after 3 months from the Issue Date up to ten Business Days prior to the Maturity Date.
Conversion Price:	The initial Conversion Price is HK\$0.59, which is equivalent to 70% of the volume weighted average price of the Shares for the last sixty trading days prior to the date of the Subscription Agreement.

The Conversion Price shall be adjusted on each of the first and second anniversaries of the Issue Date if the volume weighted average price of the Shares over the preceding calendar month is less than 85% of the applicable Conversion Price. The new Conversion Price will then be adjusted to a price equal to 85% of the Conversion Price immediately before the adjustment.

Further, the Conversion Price is subject to adjustment, pursuant to and subject to the terms of the Convertible Bonds, upon the occurrence of certain prescribed events, including without limitation, consolidation, subdivision or reclassification of the Shares, capitalisation of profits or reserves, capital distributions, rights issues of the Shares or options over the Shares, rights issues of other securities and issues at less than then current market price.

The Company will publish an announcement upon any adjustment to the Conversion Price as required under the Listing Rules.

Conversion Shares: Assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.59, the Convertible Bonds will be convertible into 271,186,440 Conversion Shares, representing approximately 31.8% of the issued share capital of the Company as at the date of this announcement and approximately 24.1% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares assuming full conversion of the Convertible Bonds.

The Conversion Shares will rank *pari passu* in all respects with the existing Shares in issue.

Security: The Company will on Completion, execute the Share Charge to charge the entire issued shares of the BVI Subsidiary in favour of the Subscriber as security for due and punctual performance of the Company's obligations in respect of the Convertible Bonds.

The BVI Subsidiary owns the entire equity interest in the PRC Subsidiary which in turns owns the PRC Property.

The BVI Subsidiary will execute the Guarantee in favour of the Subscriber as security for due and punctual performance of the Company's obligations in respect of the Convertible Bonds.

The PRC Property is currently charged in favour of the Subscriber's Group Entity and will remain so after completion of the Subscription until a date to be mutually agreed between the Company and the Subscriber's Group.

Redemption at the option of the Company: The Company may redeem the Convertible Bonds in accordance with the following terms:

- (a) On giving of not less than 30 days' nor more than 60 days' notice to the Bondholders, the Company may redeem at any time after the 12 months from the Issue Date 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 no such redemption may be made unless the closing price of the Shares (as derived from the daily quotations sheet of the 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 200% of the initial Conversion Price.
- (b) If at least 90% of the principal amount of the Convertible Bonds have been converted, redeemed, repurchased or cancelled, the Company may, by having given not less than 30 days' nor more than 60 days' notice to the Bondholders, redeem all, but not some only, of the Convertible Bonds on the day fixed for redemption at an amount equal to the Early Redemption Amount plus any accrued but unpaid interest thereon.

- (c) On giving of not less than 30 days' nor more than 60 days' notice to the Bondholders, the Company may redeem all, but not some only, of the Convertible Bonds on the day fixed for redemption at an amount equal to the Early Redemption Amount plus any accrued but unpaid interest thereon if the Company would be required to pay additional amounts in respect of the Convertible Bonds as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong (or any other taxing jurisdiction to which the Company becomes subject) in relation to taxes or any change in the official interpretation.
- (d) Provided that there is no occurrence of any events of default on the part of the Company, the Company shall have a maximum of 3 opportunities, by giving no less than 15 days notice, at its option redeem all or some of the Convertible Bonds on the day fixed for redemption at an amount equal to the Early Redemption Amount plus any accrued but unpaid interest thereon in cash. The Company must redeem a minimum of HK\$10,000,000 each time and an integral multiple of HK\$5 million each time. Redemption of the Convertible Bonds in accordance with this condition shall be made from the proceeds arising from the disposal of the PRC Property which will be deposited in such escrow account and from its own cash if the funds in such escrow account have been fully utilised.

Redemption for delisting and Change of Management:

Following the occurrence of any of the following events:

- (a) when the Shares cease to be listed or admitted to trading on the Stock Exchange, or for 3 calendar months occurring consecutively; or
- (b) when there is a Change of Management;

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.

Transferability:

Unless the transfer of the Convertible Bonds are to the same beneficial owner and the transfer of the outstanding principal amount under the Convertible Bonds, if converted into the Conversion Shares, does not in aggregate exceed 5% of the entire issued share capital of the Company, the Subscriber may by giving at least ten Business Days written notice to the Company, transfer the Convertible Bonds.

Denomination:

HK\$5,000,000 each or its integral multiples thereof.

- Voting rights: Before conversion of the Convertible Bonds, the Bondholders will not have any right to attend or vote at any general meeting of the Company.
- Status: The Convertible Bonds constitute direct, unsubordinated, unconditional and secured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for, in the event of insolvency, such exceptions as may be provided by mandatory provisions of applicable laws and subject to the terms of the Convertible Bonds, at all times have priority over all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations.
- Listing: The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange.

## **COMPARISON OF THE INITIAL CONVERSION PRICE**

The initial Conversion Price of HK\$0.59 represents:

- (1) a discount of 29.8% to the closing price of the Shares of HK\$0.84 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a discount of 29.3% to the average of the closing prices of the Shares of HK\$0.83 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (3) a discount of 27.7% to the average of the closing prices of the Shares of HK\$0.82 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

The initial Conversion Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the closing price of the Shares quoted on the Stock Exchange for the last sixty trading days prior to the date of the Subscription Agreement.

## **SPECIFIC MANDATE**

As the number of the Conversion Shares which may be issued and allotted to the Bondholder(s) under the terms of the Convertible Bonds will exceed the Existing General Mandate, the Conversion Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM. Application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, the Conversion Shares.



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

The Group is principally engaged in (i) property development; (ii) property investment; (iii) trading of automation products, electronic components and mobile phone modules; and (iv) the design, supply and integration of automation and control system.

The Board considers that the entering into of the Subscription Agreement will be a key step in completing the Group's debt-restructuring with Bank of China, Shenzhen Branch, and is also part of the Group's efforts in attracting independent and significant Shareholders which share its business vision and add considerable value by bringing international best practices in business strategy and corporate governance. The Subscriber is a wholly-owned subsidiary of Bank of China Group Investment Limited, a leading global investment company and the Subscription Agreement provides a solid foundation for the strategic relationship between the Subscriber and the Company.

The Board believes that although the issue of the Conversion Shares upon conversion of the Convertible Bonds will lead to a potential dilution effect on the shareholding of the Company, the Subscription Agreement represents an opportunity to strengthen the capital base of the Company.

## **USE OF PROCEEDS**

The estimated net proceeds from the issue of the Convertible Bonds will be approximately HK\$155.8 million. The net proceeds will be applied towards settling the entire outstanding amount, including (i) RMB60,700,000 (approximately HK\$68,977,000) guarantee provision; (ii) short-term bank loan of approximately RMB67,734,000 (approximately HK\$76,970,000); and (iii) RMB49,758,000 (approximately HK\$56,543,000) accrued interest, due to Bank of China, Shenzhen Branch.

## 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 at the initial Conversion Price; and (iii) upon full conversion of the Convertible Bonds at the initial Conversion Price and the convertible redeemable preference shares and convertible redeemable preference A Shares of the Company:

Shareholder	As at the date of this announcement		Assuming the Convertible Bonds are fully converted into Shares at the initial conversion price of HK\$0.59 each		Also assuming full conversion of the convertible redeemable preference shares and convertible redeemable preference A Shares of the Company	
	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
Mega Edge International Limited (Note 3)	79,500,000	9.33%	79,500,000	7.08%	79,500,000	4.91%
Mr. Chak Joaquim Emilio Kin Man (Notes 4 and 5)	96,824,000	11.36%	96,824,000	8.62%	96,824,000	5.98%
Ms. Wong Sio Leng (Note 5)	115,000,000	13.50%	115,000,000	10.24%	115,000,000	7.09%
Mr. Ho Man Hung (Note 5)	226,800,000	26.62%	226,800,000	20.19%	226,800,000	14.00%
Mr. Lau Sai Chung	148,000	0.02%	148,000	0.01%	148,000	0.01%
Subscriber	0	0.00%	271,186,440	24.14%	271,186,440	16.73%
Weina (BVI) Limited (Note 1)	0	0.00%	0	0.00%	118,918,919	7.34%
Best Contact Holdings Limited (Note 2)	0	0.00%	0	0.00%	248,648,649	15.34%
Other public shareholders	333,708,000	39.17%	333,708,000	29.72%	463,437,730	28.60%
<b>Total</b>	<b>851,980,000</b>	<b>100%</b>	<b>1,123,166,440</b>	<b>100%</b>	<b>1,620,463,738</b>	<b>100%</b>

### Notes:

- The Company entered into a subscription and option agreement on 26 May 2006 with Weina (BVI) Limited (“Weina”) and through such agreement and the exercise of option by the Company, Weina is interested in 350,000,000 convertible redeemable preference shares of the Company and has the right to convert the aforesaid shares in 350,000,000 Shares (based on its initial conversion price). On 2 June 2009, the Company and Weina entered into a first supplemental agreement to extend the conversion period for the aforesaid shares for a further 12 months from the expiry date of the conversion period under the subscription and option agreement. By a second supplemental agreement dated 23 October 2009, the conversion period shall be extended automatically for a period of 12 months with effect from each expiry date of the said conversion period unless (i) Weina serves a written notice on the Company notifying its intention of not extending the said conversion period for a further 12 months not later than 7 days prior to the expiry date of the said conversion period, and (ii) the Company agrees not to extend the said conversion period for a further 12 months upon receiving such notice. It is also agreed that the convertible redeemable preference shares shall become transferable. On 25 May 2010, Weina transferred 225,000,000 convertible redeemable preference shares to Best Contact Holdings Limited (“Best Contact”). On 31 August 2010, Weina further transferred 50,000,000 convertible redeemable preference shares to certain individuals.

Moreover, the Company entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A shares of the Company and has the right to convert the aforesaid preference A shares into 110,000,000 Shares. Weina Group Limited owns the entire issued share capital of Weina and is therefore deemed to have interests in the underlying Shares in which Weina is interested. By a supplemental agreement dated 23 October 2009, the conversion period for the aforesaid preference A shares is extended for a further 12 months from the expiry date of the conversion period; the said conversion period shall be extended automatically for a period of 12 months with effect from each expiry date of the said conversion period unless (i) Weina serves a written notice on the Company notifying its intention of not extending the said conversion period for a further 12 months not later than 7 days prior to the expiry date of the said conversion period, and (ii) the Company agrees not to extend the said conversion period for a further 12 months upon receiving such notice. It is also agreed that the convertible redeemable preference A shares shall become transferable. On 25 May 2010, Weina transferred 5,000,000 convertible redeemable preference A shares to Best Contact. On 31 August 2010, Weina further transferred 70,000,000 convertible redeemable preference A shares to certain individuals.

In accordance with the terms and conditions of the convertible redeemable preference shares and the convertible redeemable preference A shares, the conversion price of the convertible redeemable preference shares and the convertible redeemable preference A shares will be adjusted as a result of the issue of the Convertible Bonds. The calculation of the shareholding structure above is based on the adjusted conversion price, which will only be effective upon the completion of the issue of the Convertible Bonds.

Weina Group Limited owns the entire issued share capital of Weina and is therefore deemed to have interests in the underlying Shares in which Weina is interested. Mr. Tsim Wing Kong is deemed to be interested in the underlying Shares by virtue of his controlling interest in Weina Group Limited. Mr. Tsim Wing Kong is the father of Mr. Tsim Sze Hon, an executive Director.

2. Best Contact is legally and beneficially owned by Mr. Xu Deliang. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Xu Deliang is an independent third party of the substantial Shareholders and Directors.
3. Mega Edge International Limited is legally and beneficially owned as to 100% by Ms. Xia Dan, a non-executive Director. By virtue of the SFO, Ms. Xia is deemed to have interest in the Shares held by Mega Edge International Limited.
4. Mr. Chak Joaquim Emilio Kin Man is a substantial Shareholder as at the date of this announcement. Save for the aforementioned, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Chak Joaquim Emilio Kin Man does not have any other relationship with the Company. Under the scenario "Assuming the Convertible Bonds are fully converted into Shares at the initial conversion price of HK\$0.59 each and full conversion of the convertible redeemable preference shares of the Company" in the above shareholding table, Mr. Chak Joaquim Emilio Kin Man will be classified as a public Shareholder and thus the Company will be able to comply with the public float requirements under Rule 8.08 of the Listing Rules.
5. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, other than being substantial Shareholders as at the date of this announcement, Mega Edge International Limited, Mr. Chak Joaquim Emilio Kin Man, Ms. Wong Sio Leng, Best Contact Holdings Limited and Mr. Ho Man Hung did not have any relationship among themselves.
6. Assuming no share options are exercised pursuant to the share option schemes dated 20 January 2003 and 30 November 2009.

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

The Company has not carried out any capital fund raising activities for the twelve months immediately before the date of this announcement.

## GENERAL

An EGM will be held to consider and, if thought fit, passing the resolutions to approve (i) the Subscription Agreement and the transaction contemplated thereunder, including the subscription of the Convertible Bonds and the issue and allotment of the Conversion Shares; and (ii) the grant of the Specific Mandate.

A circular containing, among other things, further details of the Subscription Agreement, the Subscription, the grant of the Specific Mandate together with the notice of the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**Completion of each of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Affiliates”	any person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person;
“Board”	the board of Directors;
“Bondholder(s)”	holder(s) of the Convertible Bond(s) from time to time;
“Business Day”	a day (other than Saturday and Sunday and a day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking;
“BVI Subsidiary”	Usualink Development Limited, a limited liability company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of the Company;
“Change of Management”	occurs when there is a change of over half of existing composition of the executive Directors of the Company;
“Company”	China Uptown Group Company Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange;
“Completion Date”	a date which is ten Business Days after all of the conditions precedent have been fulfilled by the Company or, as the case may be, waived by the Subscriber (or such later date as the Company and the Subscriber may agree in writing);
“Convertible Bonds”	the HK\$ denominated 4.0% secured convertible bonds due 2013 with an aggregate principal amount of HK\$160 million, and “Convertible Bond” means any one of them;

“Conversion Price”	initial Conversion Price of HK\$0.59, which is equivalent to 70% of the volume weighted average trading price of the Shares for the last sixty trading days prior to the date of the Subscription Agreement, subject to adjustment;
“Conversion Share(s)”	new Shares to be allotted and issued by the Company to the Subscriber upon exercising the conversion right attaching to the Convertible Bonds, the number of which shall be subject to adjustment as a result of adjustment of the Conversion Price;
“Director(s)”	the director(s) of the Company;
“Early Redemption Amount”	with respect to any outstanding Convertible Bonds as of any date of determination, be determined so that it represents for the Bondholder (a) an annual yield of 15% per annum, calculated on the principal amount of the Convertible Bonds for the period from and including the Issue Date but excluding such date of determination, on an annual compounding basis rounded (if necessary) to two decimal places minus (b) all interest paid thereon on or prior to such date of determination;
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of, among others, considering and, if thought fit, approving the Subscription Agreement and the grant of the Specific Mandate;
“Escrow Account”	an account maintained by Bank of China (Hong Kong) Limited in the name of the Company for the purpose of receiving the subscription monies of the Convertible Bonds payable by the Subscriber and jointly operated by the representatives of the Company and the Subscriber;
“Escrow Agreement”	the escrow agreement to be entered into between Bank of China (Hong Kong) Limited and the Company in connection with the management of the Escrow Account;
“Existing General Mandate”	170,396,000 Shares, being the maximum number of Shares which the Directors were authorised to allot and issue pursuant to the general mandate granted by the Shareholders to the Directors in the annual general meeting of the Company held on 8 June 2010;
“First Loan Repayment Amount”	the amount equivalent to the difference between the Subscription Amount and RMB50,000,000 or its equivalent Hong Kong Dollars;
“Group”	the Company and its subsidiaries;
“Guarantee”	the guarantee to be executed by the BVI Subsidiary (as the guarantor) in favour of the Subscriber;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Issue Date”	the date of issue of the Convertible Bonds;
“Last Trading Day”	15 September 2010, being the last full trading day immediately prior to the date of the Subscription Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	a date which is 3 calendar months from the date of the Subscription Agreement;
“Maturity Date”	a term of 3 years commencing from the Issue Date;
“PRC”	the People’s Republic of China;
“PRC Creditor”	Bank of China Investment Limited, a company within the Subscriber’s Group established in the PRC and a creditor of the Company;
“PRC Property”	德維森大廈, a property located in the PRC which is wholly-owned by the PRC Subsidiary;
“PRC Subsidiary”	德維森實業(深圳)有限公司 (Techwayson Industrial (Shenzhen) Co., Ltd.)* a company established in the PRC and is wholly-owned by the BVI Subsidiary;
“RMB”	Renminbi, the lawful currency of the PRC;
“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;
“Share Charge”	the share charge to be executed by the Company (as the chargor) in favour of the Subscriber (as the chargee) over the entire issued shares of the BVI Subsidiary;
“Shareholder(s)”	holders of the Share(s);
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the EGM to issue new Shares at any time during the period specified in the relevant ordinary resolution;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Zilver Yuan Investment Partners Ltd., a wholly-owned subsidiary of Bank of China Group Investment Limited;
“Subscriber’s Group”	collectively the Subscriber, its subsidiaries, its ultimate or intermediate holding companies and the subsidiaries of such holding companies, and “Subscriber’s Group Entity” refers to any one of them;
“Subscription”	the subscription of the Convertible Bonds;

“Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber dated 16 September 2010 in respect of the Subscription;
“Subscription Amount”	the subscription price of the Convertible Bonds payable by the Subscriber pursuant to terms of the Subscription Agreement;
“subsidiaries”	shall have the meanings as defined in the Companies Ordinance (Cap.32 of the Laws of Hong Kong); and
“%”	per cent.

\* *For identification purposes only*

By Order of the Board  
**China Uptown Group Company Limited**  
**Fu Lui**  
*Company Secretary*

Hong Kong, 16 September 2010

*As at the date of this announcement, the executive Directors are Mr. Chen Xian, Mr. Lau Sai Chung, Mr. Xiong Jianrui and Mr. Tsim Sze Hon; the non-executive Director is Ms. Xia Dan; and the independent non-executive Directors are Mr. Poon Lai Yin, Michael, Mr. Chong Yiu Chik and Mr. Choi Kai Ming, Raymond.*

*For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of HK\$1.00:RMB0.88*