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## **XPRESS GROUP LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 185)**

### **OPEN OFFER ON THE BASIS OF ONE OFFER BOND FOR EVERY TWO THOUSAND FIVE HUNDRED EXISTING SHARES HELD**

#### **OPEN OFFER**

The Company proposes to issue 15 per cent interest per annum bonds to raise up to approximately HK\$106.8 million, before expenses, by issuing up to 1,068,102 Offer Bonds (assuming full exercise of the conversion or subscription rights attaching to the Options (other than the Directors' Options) on or before the Record Date) by way of Open Offer at a price of HK\$100 per Offer Bond on the basis of one Offer Bond for every two thousand five hundred existing Shares held on the Record Date. The Open Offer will be available only to the Qualifying Shareholders. The Open Offer will not be underwritten, any Offer Bonds not applied for by the Qualifying Shareholders will not be issued by the Company.

Mr. Chan Heng Fai, a Director and a substantial shareholder of the Company (holding approximately 39.84% of the existing issued share capital of the Company) has undertaken to the Company to take up his entitlement in full under the Open Offer and to make applications in excess of his pro-rata entitlement and pay for not less than HK\$8,000,000 in aggregate principal amount of excess Offer Bonds.

The invitation to apply for the Offer Bonds is not transferable or capable of renunciation and there will not be any trading of entitlements to apply for Offer Bonds on the Stock Exchange. Application will be made to the Stock Exchange for the listing of and permission to deal in the Offer Bonds under the Open Offer.

\* *For identification purposes only*

**The Open Offer is conditional upon several conditions, details of which are set out in the section headed “Conditions of the Open Offer” in the full text of this announcement below. Accordingly, the Open Offer may or may not proceed. Investors are advised to exercise caution when dealing in the Shares.**

To qualify for the Open Offer, a Shareholder (other than a Non-Qualifying Shareholder) must be registered as a member of the Company on the Record Date. Any transfers of Shares (with relevant certificates) must be lodged for registration by 4:30 p.m. on Wednesday, 9 February 2011 with the Company’s registrar, Tricor Friendly Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong. The register of members of the Company will be closed from Thursday, 10 February 2011 to Wednesday, 16 February 2011 (both days inclusive). No transfer of Shares will be registered during this period. Existing Shares will be dealt in on an ex-entitlements basis from Tuesday, 8 February 2011.

The Directors estimate that the net proceeds received by the Group from the Open Offer will be not less than approximately HK\$50 million and not more than approximately HK\$106 million and all the proceeds will be used as additional general working capital.

The Prospectus containing, among others, further details of the proposed Open Offer is expected to be sent to the Shareholders on or about Thursday, 17 February 2011.

The Board announces that the Company proposed to issue 15 per cent bonds by the Open Offer (in the proportion of one unit of Offer Bond for every two thousand five hundred existing Shares held by Qualifying Shareholders whose name appear on the register of member of the Company on the Record Date).

## **PRINCIPAL TERMS OF THE BONDS**

The Bonds to be issued by the Company will be for a principal amount of up to HK\$106,810,200 (divided into 1,068,102 units of Offer Bonds) with an interest rate of 15 per cent. per annum payable semi-annually in arrears and mature on the fifth anniversary of the date of issue. Upon approval granted by the Listing Committee of the Stock Exchange, the Offer Bonds will be listed on the Stock Exchange.

The Company may redeem all or some only of the Offer Bonds from the first anniversary to the Maturity Date, subject to giving no less than 30 nor more than 60 days of advance notice, at 101% of their principal amount, together with accrued interest. On Maturity Date, any unit of Offer Bonds that has not been redeemed or repaid will be redeemed by the Company at 100% of the unpaid principal amount, together with accrued interest. The Offer Bonds will be issued in registered form only.

For the purpose of quotation of the Offer Bonds in the Automatic Order Matching and Execution System 3 (“AMS3”), the principal amount for each board lot of the Offer Bonds will be HK\$800 for trading purpose, thus comprising 8 trading unit of HK\$100. Therefore, the “Lot Size” of the Bonds as to appear in the AMS3 will be “8” accordingly. Based on the subscription price of HK\$100 per each unit of Offer Bonds, the board lot size of the Offer Bonds will be 8 accordingly.

Mr. Chan Heng Fai, a Director and a substantial shareholder of the Company (holding approximately 39.84% of the existing issued share capital of the Company) has undertaken to the Company to take up his entitlement in full under the Open Offer and to make applications in excess of his pro-rata entitlement and pay for not less than HK\$8,000,000 in aggregate principal amount of excess Offer Bonds.

## **OPEN OFFER**

### **Issue Statistics**

Basis of Open Offer	: Assured allotments of one Offer Bond for every two thousand five hundred existing Shares held on the Record Date
Number of existing Shares in issue	: 2,640,836,050 Shares as at the date of this announcement
Number of Offer Bonds to be issued under the Open Offer	: 500,830 Offer Bonds (assuming only Mr. Chan Heng Fai subscribe the Offer Bonds) and 1,056,334 Offer Bonds (assuming no conversion or subscription rights attaching to the Director’s Warrants and the Options are exercised on or before the Record Date) and up to 1,068,102 Offer Bonds (assuming full exercise of the conversion or subscription rights attaching to the Options (other than the Directors’ Options) on or before the Record Date) (Note)
Subscription Price for the Offer Bonds	: HK\$100 per Offer Bond
Aggregate nominal value of the Offer Bonds	: Up to approximately HK\$106,810,200
Underwriter	: The Open Offer will not be underwritten
Listing Status of the Offer Bonds	: Application will be made to the Stock Exchange for the listing of and permission to deal in the Offer Bonds under the Open Offer
Transferability	: The Offer Bonds shall be freely transferable
Conversion	: The Offer Bonds are not convertible into any Shares or other securities of the Company

*Note:*

As at the date of this announcement:

- (1) there are 172,000,000 Director's Warrants outstanding carrying rights to subscribe for 172,000,000 Shares at an subscription price of HK\$0.16 per Share (subject to adjustments). The Director has undertaken not to exercise of the subscription rights attaching to the Director's Warrants on or before the Record Date, no Offer Bonds will be issued;
- (2) there are 706,895,688 outstanding Options granted under the Share Option Scheme, of which 676,331,388 are eligible for exercise on or before the Record Date. Assuming full exercise of the subscription rights attaching to the Options (other than the Directors' Options) on or before the Record Date, a total of 29,422,338 new Shares would fall to be issued, which would result in the issue of additional 11,768 Offer Bonds.

Based on the above, the maximum number of Offer Bonds that may be issued under the Open Offer would become 1,068,102 units.

The Company tried, without success, to find an underwriter willing to undertake the Open Offer. In view of there is no minimum amount which must be raised in order for the Open Offer to proceed and the Open Offer is not subject to any statutory requirements regarding minimum subscription level and the Open Offer will be undertaken by Mr. Chan Heng Fai, the Directors consider it is appropriate for the Company to proceed the Open Offer will not be underwritten.

Save for the outstanding Director's Warrants and Options as mentioned above, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to convert into or subscribe for Shares as at the date of this announcement.

### **Qualifying Shareholders:**

The Company will send the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must on the Record Date:

- be registered as a member of the Company; and
- not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificate(s)) with the Company's registrar, Tricor Friendly Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. (Hong Kong time) on Wednesday, 9 February 2011.

### **Closure of Register of Members**

The register of members of the Company will be closed from Thursday, 10 February 2011 to Wednesday, 16 February 2011 (both days inclusive) for determination of entitlements under the Open Offer. No transfer of Shares will be registered during this period.

## **Basis of assured allotment**

### **One Offer Bond for every two thousand five hundred existing Shares held by a Qualifying Shareholder on the Record Date**

Fractions of assured allotments will not be issued and will be aggregated and made available for application by the Qualifying Shareholders who wish to apply for Offer Bonds in excess of their own assured allotments.

## **Status of the Offer Bonds**

The Offer Bonds are non-convertible and will constitute the direct, unconditional and unsecured obligations of the Company and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company, other than those as may be preferred by mandatory provision of applicable law. The Offer Bonds shall be freely transferable.

## **Rights of Non-Qualifying Shareholders**

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong. Prior to the issue of the Prospectus, the Company will make enquiries as to whether the offer or issue of Offer Bonds to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory bodies. If after making such enquiry the Board is of the opinion that it would be necessary or expedient not to offer the Offer Bonds to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. Accordingly the Offer Bonds will not be offered to the Non-Qualifying Shareholders and no application for Offer Bonds will be accepted from the Non-Qualifying Shareholders. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send the Application Forms to them.

Any Offer Bonds which would otherwise have been in assured allotments of the Non-Qualifying Shareholders will be available for application by the Qualifying Shareholders who wish to apply for Bonds in excess of their own assured allotments. The basis for excluding the Non-Qualifying Shareholders, if any, from the Open Offer will be set out in the Prospectus to be issued.

## **Application for Offer Bonds in excess of assured allotments**

Any entitlements to the Non-Qualifying Shareholders, together with any Offer Bonds provisionally allotted to Qualifying Shareholders but not accepted, will be available for excess application by the Qualifying Shareholders. Qualifying Shareholders will have the right to apply for any Offer Bonds in excess of their own assured allotments under the Application Forms but are not assured of being allocated any Bonds in excess of those in their assured allotments.

The Company will allocate the Offer Bonds in excess of assured allotments at their discretion on a fair and equitable basis, on a pro-rata basis to the excess Offer Bonds applied for by the Qualifying Shareholders.

Any Offer Bonds not applied for by the Qualifying Shareholders will not be issued by the Company.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of excess Offer Bonds will not be extended to beneficial owners individually. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

### **Bond Certificates**

Subject to the fulfilment of the conditions of the Open Offer, certificates for fully-paid Offer Bonds are expected to be posted to successful applicants at their own risk on or before Friday, 11 March 2011. Refund cheques in respect of wholly or partially unsuccessful applications for Offer Bonds in excess of assured allotments are also expected to be posted on or before Friday, 11 March 2011 by ordinary post to the applicants at their own risk.

### **Undertakings by the Directors**

As at the date of this announcement, certain Directors collectively hold 646,909,050 Options and 172,000,000 Director's Warrants. Each of such Directors has given an irrevocable undertaking, *inter alia*, not to exercise the subscription rights under the relevant Directors' Options and Director's Warrants until the close of business on the Record Date pursuant to and subject to the terms of the relevant Director's Undertaking Letter.

### **CONDITIONS OF THE OPEN OFFER**

The Open Offer is conditional upon each of the following events happening:

- (a) the filing and registration of the Prospectus Documents (with all the documents required to be attached thereto by Section 38D of the Companies Ordinance) by the Registrar of Companies in Hong Kong in compliance with the Companies Ordinance no later than the Prospectus Posting Date;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date; and
- (c) the Listing Committee of the Stock Exchange granting listings of, and permission to deal in, the Offer Bonds either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) on or prior to the Prospectus Posting Date and not having withdrawn or revoked such listings and permission before date of commencement of dealings in Offer Bonds on the Stock Exchange.

**If any of the above conditions is not fulfilled, the Open Offer will not proceed. As the Open Offer is subject to the above conditions, it may or may not proceed accordingly.**

Further details of the Open Offer will be contained in the Prospectus which is expected to be despatched to the Shareholders on or about Thursday, 17 February 2011.

## **WARNING OF THE RISKS OF DEALING IN SHARES**

Existing Shares are expected to be dealt in on an ex-entitlements basis from Tuesday, 8 February 2011 and the existing Shares price will not be adjusted on the ex-entitlements date. If the conditions of the Open Offer (see the section headed “Conditions of the Open Offer” above) are not fulfilled, the Open Offer will not proceed.

Investors who have any doubt about their position are recommended to obtain professional advice from their advisers regarding dealings in Shares during these periods. Shareholders are advised to exercise caution when dealing in the Shares up to the date when the conditions of the Open Offer are fulfilled.

## **REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS**

Given the property development and investment business, in which the Group is principally engaged, by nature is capital intensive, the Directors consider that the Open Offer is an appropriate means for the Group to provide working capital and strengthen its financial position and that the Open Offer is in the interests of the Company and the Shareholders as a whole.

The Directors has considered other financing alternatives, such as debt financing, share placement and right issue of Shares and believe that, taking into account the prevalent financial market conditions, the lack of liquidity of the Shares, the significant discount normally set for the rights issue which could not effectively reflect the fair value of the Shares and the availability of valuable assets to pledge against the bank borrowings, it would be in the interest of the Company to raise unsecured long-term funding via the proposed Open Offer and consider that the Open Offer is the most feasible, cost and time effective fund raising alternative available for the Company to raise long-term funds without subjecting itself to dilution effect on the shareholdings and earnings of Shareholders and also provide Shareholders with an opportunity to financing of and thereby benefiting from the growth of the Group. The interest rate of the Bonds was determined after taking into consideration of (i) the interest rate of the Group’s existing bank borrowing range from 1.00% to 3.20%; (ii) the interest rate of the similar bonds issued by other companies listed on the Stock Exchange. The Directors (including the independent non-executive Directors) consider the interest rate is in line with the market and on normal commercial term and that the terms of the Offer Bonds to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole. If the Open Offer are only subscribed by Mr. Chan Heng Fai, the Company expects to raise total proceeds, before expenses, of approximately HK\$50.08 million from the Open Offer.

The Directors estimate that the net proceeds received by the Group from the Open Offer will be not less than approximately HK\$50 million and not more than HK\$106 million and all the proceeds will be used as additional general working capital. Depending on the actual proceeds received by the Group, it is expected that the interest expenses for the Offer Bonds would be approximately HK\$7.5 million to HK\$15.9 million per annum.

**FUND-RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE ANNOUNCEMENT**

No fund raising activities have been carried out by the Company during the past 12 months immediately preceding this announcement.

**EXPECTED TIMETABLE OF THE OPEN OFFER**

The expected timetable for the Open Offer is set out below:

Last day of dealings in Shares on a cum-entitlements basis . . . . .	Monday, 7 February 2011
First day of dealings in Shares on an ex-entitlements basis. . . . .	Tuesday, 8 February 2011
Latest time for lodging transfers of Shares in order to qualify for the Open Offer. . . . .	4:30 p.m. on Wednesday, 9 February, 2011
Book closure period (both days inclusive). . . . .	Thursday, 10 February 2011 to Wednesday, 16 February 2011
Record Date . . . . .	Wednesday, 16 February 2011
Prospectus Documents to be despatched on or about . . . . .	Thursday, 17 February 2011
Latest time for acceptance of and payment for Offer Bonds . . . . .	4:00 p.m. on Thursday, 3 March 2011
Announcement of results of the Open Offer and excess application. . . . .	Thursday, 10 March 2011
Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Bonds expected to be despatched on or before . . . . .	Friday, 11 March 2011
Certificates for Offer Bonds expected to be despatched on or before . . . . .	Friday, 11 March 2011
Dealings in Offer Bonds expected to commence on. . . . .	Tuesday, 15 March 2011



**Dates or deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) the Open Offer are indicative only and may be extended or varied by the Company. Any changes to the anticipated timetable for the Open Offer will be published or notified to Shareholders as appropriate.**

## **GENERAL**

The Group is engaged in property investment, property development, financial services and securities investments, including corporate finance, consumer finance and hotel operation.

The Prospectus containing, among other things, details of the Open Offer will be sent to the Shareholders as soon as practicable, subject to the certain conditions precedent of the Open Offer being satisfied. The Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

## **DEFINITIONS**

“Application Form(s)”	the form(s) of application in respect of the Open Offer to be issued to the Qualifying Shareholders
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bond”	Up to HK\$106,810,200 in aggregate principal amount of the non-convertible bonds at an issue price of HK\$100 per unit of Offer Bond at an interest rate of 15% per annum
“Company”	Xpress Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Directors’ Options”	646,909,050 Options collectively held by certain Directors as at the date of the Director’s Undertaking Letters
“Director’s Warrants”	172,000,000 Warrants held by a Director as at the date of the Director’s Undertaking Letters
“Director’s Undertaking Letter(s)”	the irrevocable undertaking given on 7 January 2011 by each of the Directors, who is the holder of the Options and/or Warrants, in favour of the Company, as more particularly set out in the sub-paragraph headed “Undertakings by the Directors” in this announcement
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	The fifth anniversary of the date of issue of the Offer Bonds
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Board, after making enquiry, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges in those places not to offer the Offer Bonds to them
“Offer Bond(s)”	the new Bond(s) proposed to be issued under the Open Offer
“Open Offer”	the proposed issue by the Company of the Offer Bonds by way of open offer to Qualifying Shareholders on the basis of an assured allotment of one Offer Bond for every two thousand five hundred existing Shares held on the Record Date at the Subscription Price
“Options”	the share options granted under the Share Option Scheme
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown in the register of members of the Company on that date is/are outside Hong Kong
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the Application Forms
“Prospectus Posting Date”	17 February 2011 or such other date as the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date

“Record Date”	16 February 2011, being the record date for determining entitlements to participate in the Open Offer
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 9 May 2003
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$100 per Offer Bond
“%”	percentage

By Order of the Board  
**Xpress Group Limited**  
**Chan Tong Wan**  
*Managing Director*

Hong Kong, 7 January 2011

*As at the date of this announcement, the Board comprises of the executive directors Mr. Chan Heng Fai, Mr. Chan Tong Wan, Ms. Chan Yoke Keow and non-executive director Mr. Fong Kwok Jen as well as independent non-executive directors Mr. Wong Dor Luk, Peter, Mr. Joao Paulo Da Roza and Mr. Wong Tat Keung.*