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中國水務地產集團有限公司
CHINA WATER PROPERTY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2349)

ANNOUNCEMENT

ISSUANCE OF HK\$350 MILLION 12.5% SENIOR NOTES DUE 2016

Reference is made to the announcement of the Company dated 12 November 2013. This announcement is also made pursuant to Rule 13.18 of the Listing Rules.

On 20 November 2013, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantor entered into the Purchase Agreement with the Initial Purchaser in connection with the issue of HK\$350 million 12.5% senior notes due 2016.

The estimated net proceeds of the Notes Issue, after deducting underwriting commissions and certain estimated offering expenses, will be approximately HK\$331.9 million. The Company intends to use the net proceeds of this offering primarily for existing and new property projects (including construction costs and land premiums) and for general corporate purposes.

Completion of the Purchase Agreement is subject to fulfilment, or waiver, of the conditions precedent set out therein. In addition, the Purchase Agreement may be terminated under certain circumstances. **As the Purchase Agreement may or may not be completed, shareholders and investors of the Company and prospective investors are reminded to exercise caution when dealing in the securities of the Company.**

A listing eligibility approval has been received from the Stock Exchange for the listing of the Notes by way of debt issue to professional investors only. Admission of the Notes to the Stock Exchange is not to be taken as an indication of the merits of the Company or the Notes.

INTRODUCTION

Reference is made to the announcement of the Company dated 12 November 2013 in respect of the Notes Issue. This announcement is also made pursuant to Rule 13.18 of the Listing Rules. The Board is pleased to announce that on 20 November 2013, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantor entered into the Purchase Agreement with the Initial Purchaser in connection with the Notes Issue in the aggregate principal amount of HK\$350 million.

THE PURCHASE AGREEMENT

Date: 20 November 2013

Parties to the Purchase Agreement

- (a) the Company as issuer;
- (b) the Subsidiary Guarantors;
- (c) the JV Subsidiary Guarantor; and
- (d) the Initial Purchaser.

Guotai Junan is the sole global coordinator, the sole lead manager and the sole bookrunner in respect of the Notes Issue. It is also the Initial Purchaser of the Notes.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. None of the Notes will be offered to the public in Hong Kong.

Principal terms of the Notes

Notes Offered

Subject to certain conditions to completion, the Company will issue the Notes in the aggregate principal amount of HK\$350 million which will mature on 28 November 2016.

Issue Price

The Issue Price of the Notes will be 98.78% of the principal amount of the Notes.

Interest

The Notes will bear interest from and including 28 November 2013 at the rate of 12.5% per annum, payable semi-annually in arrears on 28 May and 28 November of each year, beginning 28 May 2014.

Ranking of the Notes

The Notes will be general obligations of the Company and will be guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantor on a senior basis. The Notes will rank (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) rank at least pari passu in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law), (3) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries; and (4) be effectively subordinated to all existing and future secured obligations of the Company to the extent of the collateral securing such obligations.

Events of default

The events of default under the Notes will include, among others:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;
- (3) default in the performance or breach of certain provisions of the covenants including, among others, the failure by the Company to make an offer to purchase all outstanding Notes not later than 30 days following the occurrence of a Change of Control (as more fully described below);
- (4) the Company or certain of its subsidiaries defaults in the performance of or breaches any other covenant or agreement in the Trust Deed or under Notes applicable to the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the holders of 25% or more in aggregate principal amount of the Notes;

- (5) there occurs with respect to any indebtedness of the Company or certain of its subsidiaries having an outstanding principal amount of USD5 million or more, (a) an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its stated maturity and/or (b) the failure to pay principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all of them to exceed USD10 million;
- (7) an involuntary case or other proceeding is commenced against the Company or certain of its subsidiaries with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or certain of its subsidiaries or for any substantial part of the property and assets of the Company or certain of its subsidiaries and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or certain of its subsidiaries under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or certain of its subsidiaries (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or certain of its subsidiaries or for all or substantially all of the property and assets of the Company or certain of its subsidiaries or (c) effects any general assignment for the benefit of creditors;
- (9) any Subsidiary Guarantor denies or disaffirms its obligations under its guarantees of the Notes or, except as permitted by the Trust Deed, any guarantee of the Notes is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security documents or the Trust Deed, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any security document or, other than in accordance with the Trust Deed and the security documents, any security document ceases to be or is not in full force and effect or the trustee ceases to have a first priority lien in the Collateral (subject to any permitted liens).

If an event of default (other than an event of default specified in clause (7) or (8) above) occurs and is continuing under the Trust Deed, the Trustee at its discretion or the holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the holders), may, and the Trustee at the written request of such holders shall (subject in any such case to it being indemnified and/or secured and/or prefunded to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an event of default specified in clause (7) or (8) above occurs with respect to the Company or certain of its subsidiaries, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

Security

The Company will, for the benefit of the holders of the Notes, pledge, and cause each initial Subsidiary Guarantor Pledgor to pledge, the Capital Stock of all of the initial Subsidiary Guarantors and initial JV Subsidiary Guarantor held by the Company or the Subsidiary Guarantor Pledgors on a first priority basis (subject to Permitted Liens) in order to secure the obligations of the Company under the Notes and the Trust Deed and of each initial Subsidiary Guarantor and JV Subsidiary Guarantor under its Subsidiary Guarantee and JV Subsidiary Guarantee, respectively.

The Collateral securing the Notes and each Subsidiary Guarantee and JV Subsidiary Guarantee may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur Permitted Pari Passu Secured Indebtedness which would be secured by the Collateral on a pari passu basis with the Notes and each Subsidiary Guarantee and JV Subsidiary Guarantee.

Covenants

The Notes and the Trust Deed governing the Notes, and the Subsidiary Guarantees and JV Subsidiary Guarantee will limit the Company's ability and the ability of certain of its subsidiaries to, among other things:

- incur or guarantee certain additional indebtedness;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified Restricted Payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of the Company or Restricted Subsidiaries;
- enter into, review or extend transactions with shareholders or affiliates; enter into agreements that restrict the ability of the Company or any Restricted Subsidiary to pay dividends;

- effect a consolidation or merger;
- create liens;
- enter into sale and leaseback transactions; and
- sell assets.

Redemption and Repurchase

The Notes may be redeemed in the following circumstances:

- (a) on 28 November 2016, the Notes will be redeemed at their principal amount together with accrued and unpaid interest;
- (b) not later than 30 days following the occurrence of a Change of Control, the Company shall make an offer to purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the repurchase date (“**Change of Control Offer**”);
- (c) the Company may redeem the Notes at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest if any, to the date fixed by the Company for redemption, if as a result of (1) any change in, the laws or treaties of a relevant jurisdiction affecting taxation or (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or ruling or treaties, the Company or a Subsidiary Guarantor would be required to pay an additional amount; or
- (d) the Company or any of its affiliate may purchase the Notes, in whole or in part, in the open market or by tender or by any other means at any price, so long as such acquisition does not otherwise violate the terms of the Trust Deed or other security documents or applicable law; provided that all Notes redeemed or repurchased by the Company or any of its affiliate may not be reissued or resold.

Specific performance obligation on a controlling shareholder

As disclosed above, not later than 30 days following the occurrence of a Change of Control, the Company shall make a Change of Control Offer. The failure to do so will constitute an event of default under the terms and conditions of the Notes. Accordingly, the conditions described above impose an obligation on our Parent (being the controlling shareholder of the Company) to maintain control of 35% of the outstanding share of stock of our Company having the right to vote for election of members of the Board, which constitutes a specific performance obligation on a controlling shareholder under Rule 13.18 of the Listing Rules, the breach of which would cause a default under the terms and conditions of the Notes. The specific performance of this obligation has been undertaken by our Parent pursuant to the Keepwell Deed as more fully described below.

The aggregate amount of the Notes that may be affected if the Company is required to make a Change of Control Offer is approximately HK\$484.75 million, being the purchase price of 101% of the principal amount thereof plus the maximum amount of interest payable under the Notes. The life of the facility for the purpose of Rule 13.18, being the term of the Notes, is 3 years.

KEEPWELL DEED

The following is a summary of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed.

Under the Keepwell Deed, our Parent will undertake with our Company, the Trustee and the Security Trustee that it shall directly or indirectly through its wholly owned subsidiaries own and hold not less than 35% of the outstanding shares of stock of our Company having the right to vote for election of members of the Board.

In addition, our Parent will agree with our Company, the Trustee and the Security Trustee that it shall take all necessary actions and provide adequate administrative and financial support to our Company or any of our subsidiaries (i) to enable our Company to have a consolidated net worth of at least HK\$1.00 (or its equivalent in other currencies) at all times; and (ii) to maintain sufficient liquidity to fulfill their respective obligations under the Notes and relevant guarantees and other indebtedness in accordance with their respective terms and conditions in a timely manner.

Our Parent will agree with our Company, the Trustee and the Security Trustee that for so long as the Notes are outstanding, (i) not to amend or propose to amend the articles of association of our Company or any of our subsidiaries to the extent that any such amendments may adversely affect our Company's or any of our subsidiaries' operational sustainability or ability to fulfill their respective obligations under the Notes and relevant guarantees and other indebtedness in accordance with their respective terms and conditions in a timely manner; and (ii) to cause our Company and our subsidiaries to remain in full compliance with the Terms and Conditions of the Notes.

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Parent shall be deemed to constitute, a guarantee by our Parent of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of our Company under the laws of any jurisdiction. The parties to the Keepwell Deed will acknowledge that in order for each of our Parent and us to comply with their respective obligations under the Keepwell Deed, it may be subject to governmental or regulatory approvals, permits and filings as may be required by applicable laws.

The Keepwell Deed will be governed by Hong Kong law.

REASONS FOR THE PROPOSED NOTES ISSUE AND USE OF PROCEEDS

The Company is an integrated commercial and residential property developer, owner and operator in China. The Company is engaged in property development, property investment and hotel and property management businesses located primarily in Beijing, Wuhan and other first and second tier cities.

The Company intends to use the net proceeds of the Proposed Notes Issue for existing and new property projects (including construction costs and land premiums) and for general corporate purposes.

LISTING

A listing eligibility approval has been received from the Stock Exchange for the listing of the Notes. Admission of the Notes to the Stock Exchange is not to be taken as an indication of the merits of the Company or the Notes.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“Change of Control”	includes, among others, our Parent being the beneficial owner of less than 35% of the outstanding share of stock of our Company having the right to vote for election of members of the Board
“Change of Control Offer”	has the meaning ascribed to it in the paragraph headed “Redemption and Repurchase” of this announcement
“Collateral”	all collateral securing, or purported to be securing, directly or indirectly, the Notes or any guarantee pursuant to the security documents, and shall initially consist of the shares of the initial Subsidiary Guarantors
“Company”	China Water Property Group Limited (中國水務地產集團有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Guotai Junan”	Guotai Junan Securities (Hong Kong) Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Issue Price”	98.78% of the principal amount of the Notes, the price at which the Notes will be issued and sold
“JV Subsidiary Guarantor”	existing limited-recourse subsidiary of the Company that are incorporated outside of the PRC and will guarantee the Company’s obligations under the Notes

“Keepwell Deed”	the keepwell deed dated on the date of the issue of the Notes and entered into by and among the Company, the Parent, the Trustee and the Security Trustee
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notes”	the senior notes to be issued by the Company
“Notes Issue”	the issue of the Notes by the Company
“Parent”	China Water Affairs Group Limited (中國水務集團有限公司)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Purchase Agreement”	an agreement dated 20 November 2013 entered into among the Company, Subsidiary Guarantors and Guotai Junan in relation to the Notes
“Securities Act”	the United States Securities Act of 1933, as amended
“Security Trustee” and “Trustee”	The Bank of New York Mellon, London Branch
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantors”	existing subsidiaries of the Company that are incorporated outside of the PRC and will guarantee the Company’s obligations under the Notes
“Subsidiary Guarantor Pledgors”	any Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Trust Deed and of such Subsidiary Guarantor under its guarantee; provided that a Subsidiary Guarantor Pledgor shall not include any person whose pledge under the security documents has been released in accordance with the security documents, the Trust Deed and the Notes

“Trust Deed” the trust deed dated on the date of the issue of the Notes entered into among the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantor, the Trustee and the Security Trustee

“USD” United States dollars

By order of the Board
China Water Property Group Limited
Wang Wenxia
Vice Chairman and Chief Executive Officer

Hong Kong, 20 November 2013

As at the date of this announcement, the Board comprises Ms. Wang Wenxia (Vice Chairman and Chief Executive Officer) and Mr. Ren Qian as executive Directors, Mr. Duan Chuan Liang (Chairman) and Mr. Zhou Kun as non-executive Directors and Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian as independent non-executive Directors.