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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

Stock Code: 5998

**PROPOSED ISSUANCE OF HK\$250 MILLION 12.5% SENIOR NOTES
DUE 2016 (TO BE CONSOLIDATED AND FORM A SINGLE SERIES
WITH THE HK\$350 MILLION 12.5% SENIOR NOTES DUE 2016
ISSUED ON 28 NOVEMBER 2013)**

Reference is made to the announcements of the Company dated 20 November 2013 and 28 November 2013 in respect of the Original Notes Issue and the Company’s announcement dated 5 May 2014 in respect of the Additional Notes Issue.

On 7 May 2014, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantor entered into the Purchase Agreement with Guotai Junan in connection with the proposed issue of the Additional Notes in the aggregate principal amount of HK\$250 million, which will be consolidated and form a single series with the Original Notes.

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.**

The estimated net proceeds of the Additional Notes Issue, after deducting underwriting commissions and certain estimated offering expenses, will be approximately HK\$240.4 million. The Company intends to use the net proceeds of the Additional Notes Issue primarily for its existing and new property projects (including construction costs and land premiums) and for general corporate purposes.

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

INTRODUCTION

Reference is made to the announcements of the Company dated 20 November 2013 and 28 November 2013 in respect of the Original Notes Issue and the Company's announcement dated 5 May 2014 in respect of the Additional Notes Issue.

The Board is pleased to announce that on 7 May 2014, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantor entered into the Purchase Agreement with Guotai Junan in connection with the proposed issue of the Additional Notes in the aggregate principal amount of HK\$250 million, which will be consolidated and form a single series with the Original Notes.

The Additional Notes will have the same terms and conditions as the Original Notes, save for the issue date and the issue price. The Company would also like to hereby correct a typographical error in the announcement dated 20 November 2013. In item (6) of the paragraph headed "The Purchase Agreement — Principal terms of the Notes — Events of default" of that announcement, the figure "USD10 million" should be "USD5 million". As at the date of this announcement, the Company has not received any written notice from the Trustee or the holders of at least 25% in aggregate principal amount of the Original Notes then outstanding to declare the acceleration of payment on the Original Notes due to occurrence of any event of default. For ease of reference, the corrected terms in respect of events of default of the Original Notes, which are the same as those that apply to the Additional Notes, are set out again in the paragraph headed "The Purchase Agreement — Principal terms of the Additional Notes — Events of default".

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.

THE PURCHASE AGREEMENT

Date: 7 May 2014

Parties to the Purchase Agreement

- (a) the Company as issuer;
- (b) the Subsidiary Guarantors;
- (c) the JV Subsidiary Guarantor; and
- (d) Guotai Junan as initial purchaser.

Guotai Junan is the sole global coordinator, the sole lead manager and the sole bookrunner in respect of the Additional Notes Issue. The Company will issue and sell to Guotai Junan the Additional Notes as the initial purchaser.

The Additional 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 Additional 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 Additional Notes will be offered to the public in Hong Kong.

Principal terms of the Additional Notes

Additional Notes Offered

Subject to certain conditions to completion, the Company will issue the Additional Notes in the aggregate principal amount of HK\$250 million which will mature on 28 November 2016.

Issue Price

The Issue Price of the Additional Notes will be 99.5% of the principal amount of the Additional Notes.

Interest

The Additional Notes will bear interest from and including 28 November 2013 at 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 Additional Notes

The Additional 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 are (1) 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), (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of

payment to the Notes, (3) effectively subordinated to all existing and future secured obligations of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors to the extent of the assets serving as security therefor (other than the Collateral), and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Events of default

The following events are events of default with respect to the Notes:

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 material provisions of the terms and conditions of the Notes;
4. the Company or certain of its subsidiaries defaults in the performance of or breaches any other covenant or agreement in the Trust Deed (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 USD5 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 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 in effect;
8. the Company or certain of its subsidiaries (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law 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 or JV Subsidiary Guarantor denies or disaffirms its obligations under the 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 Security Trustee ceases to have a first priority lien in the Collateral (subject to any liens permitted under the Trust Deed).

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, 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.

REASONS FOR THE PROPOSED ADDITIONAL 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 Wuhan, Hangzhou and other first-to-second tier cities.

The estimated net proceeds of the Additional Notes Issue, after deducting underwriting commissions and certain estimated offering expenses, will be approximately HK\$240.4 million. The Company intends to use the net proceeds of the Additional Notes Issue primarily for its existing and new property projects (including construction costs and land premiums) and for general corporate purposes.

LISTING

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

DEFINITIONS

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

“Additional Notes”	the up to HK\$250 million 12.5% senior notes due 2016 to be issued by the Company which, upon issue, are to be consolidated and form a single series with the Original Notes
“Additional Notes Issue”	the proposed issue of the Additional Notes by the Company
“Board”	the board of Directors
“Collateral”	all collateral securing, or purported to be securing, directly or indirectly, the Notes pursuant to the security documents, and shall initially consist of the shares of the initial Subsidiary Guarantors and the JV Subsidiary Guarantor
“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
“Initial Offshore Non-Guarantor Subsidiaries”	Top Rainbow Investments Limited, Top Harbour Development Limited, Hong Kong Walter Hotel Management Group Limited, Waterports International Limited, Hense Investments Limited, Land Silver Limited, First Supreme Limited, China Water Property Group (Hong Kong) Limited, China Water Property Land Development Limited, China Water Property Development Limited, China Water Property Estates Limited, China Water Land Limited, Wah Yuen Investment Limited, Wealthstar Investments Limited, Wah Yuen (China) Investment Limited, China Water Property Corporate Finance Limited and China Environmental Water Holdings Limited

“Issue Price”	99.5% of the principal amount of the Additional Notes, the price at which the Additional Notes will be issued and sold
“JV Subsidiary Guarantor”	HK Mei Lai International (Canada) Limited, a company incorporated in the British Virgin Islands with limited liability which will guarantee the Company’s obligations under the Additional Notes
“Non-Guarantor Subsidiaries”	PRC Non-Guarantor Subsidiaries and Offshore Non-Guarantor Subsidiaries
“Notes”	Additional Notes and Original Notes
“Offshore Non-Guarantor Subsidiaries”	future subsidiary of the Company organised outside the PRC not providing guarantee and Initial Offshore Non-Guarantor Subsidiaries
“Original Notes”	the HK350 million 12.5% senior notes due 2016 issued by the Company on 28 November 2013
“Original Notes Issue”	the issue of the Original Notes by the Company
“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
“PRC Non-Guarantor Subsidiaries”	subsidiaries of the Company that are organised under the laws of the PRC
“Purchase Agreement”	a purchase agreement dated 7 May 2014 entered into among the Company, Subsidiary Guarantors, JV Subsidiary Guarantor and Guotai Junan in relation to the Additional Notes Issue
“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 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

“Subsidiary Guarantors”	existing subsidiaries of the Company that are incorporated outside of the PRC (other than the JV Subsidiary Guarantor) and will guarantee the Company’s obligations under the Additional Notes
“Trust Deed”	the trust deed dated 28 November 2013, which will be supplemented and amended by the supplemental trust deed to be dated the date of the issue of the Additional Notes to be entered into among the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantor, the Trustee and the Security Trustee
“United States”	the United States of America
“USD”	United States dollars

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

Hong Kong, 7 May 2014

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.