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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)

(Stock Code: 5998)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING

Placing Agent



THE PLACING AND SUBSCRIPTION AGREEMENT

On 17 November 2014, the Company entered into the Placing and Subscription Agreement with the Vendors and the Placing Agent, pursuant to which the Vendors have conditionally agreed to place, through the Placing Agent on a best effort basis, up to 185,872,000 Sale Shares to not fewer than six Placees who and whose ultimate beneficial owners will be Independent Third Parties at a Placing Price of HK\$0.774 per Sale Share during the Placing Period and the Subscription of Subscription Shares (the number of which shall be equivalent to the actual number of Sale Shares placed by the Placing Agent under the Placing) by the Vendors at the Subscription Price of HK\$0.774 per Subscription Share.

The Subscription Shares will be issued under the General Mandate and the Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

RESUMPTION OF TRADING

Trading of Shares and debt securities of the Company were halted with effect from 9:00 a.m. on 17 November 2014 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares and debt securities of the Company with effect from 9:00 a.m. on 19 November 2014.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date

17 November 2014

Issuer

The Company

Vendors

1. Sharp Profit
2. Good Outlook

Sharp Profit and Good Outlook are wholly-owned subsidiaries of China Water Affairs, a substantial shareholder of the Company, and are the respective legal and beneficial owners of 167,580,000 and 225,863,306 Shares, representing approximately 9.02% and 12.15% of the issued share capital of the Company respectively.

Placing Agent

GF Securities (Hong Kong) Brokerage Limited, who and whose ultimate beneficial owners are Independent Third Parties. The Placing Agent will charge the Vendors a placing commission of 2% of an amount equal to the Placing Price multiplied by the number of Sale Shares that the Placing Agent procured purchases for. The Placing commission was negotiated on arm's length basis between the Vendors and the Placing Agent and determined with reference to, amongst other things, the market rate and the price performance of the Shares. The Directors consider that the terms of the Placing, including the placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

PLACING

Placees

Up to 185,872,000 Sale Shares will be placed by the Placing Agent on a best effort basis to not fewer than six Placees which will be independent professional, institutional or individual investors, who and whose ultimate beneficial owners are Independent Third Parties and not acting in concert with the Vendors. Upon completion of the Placing, it is expected that none of the Placees will become a substantial Shareholder. If any of the Placees will become a substantial Shareholder after completion of the Placing, further announcement will be made by the Company.

Number of Sale Shares

As at the date of this announcement, the Company has 1,858,722,861 Shares in issue. The Sale Shares represent approximately 10.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares as a result of the Subscription.

The Sale Shares shall be first satisfied by Sharp Profit to the extent of up to 167,580,000 Sale Shares. In the event that as at the close of the Placing Period, the Placing Agent procured purchase for more than 167,580,000 Sale Shares, Good Outlook shall satisfy the balance of the Sale Shares to the extent of up to 18,292,000 Sale Shares.

Placing Price

The Placing Price of HK\$0.774 represents:

- (i) a discount of 10% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 7.42% to the average of the closing price per Share of HK\$0.836 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 6.97% to the average of the closing price per Share of HK\$0.832 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price and the recent trading volume of the Shares and was negotiated on an arm's length basis among the Company, the Vendors and the Placing Agent. In view of the highly volatile capital market conditions, the Directors (including the independent non-executive Directors) consider that the terms of the Placing and the Subscription are fair and reasonable based on the current market condition and that the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

The net Placing Price, after deduction of the relevant expenses, is approximately HK\$0.76 per Sale Share.

Completion of the Placing

The Placing is unconditional and completion of the Placing will take place on 21 November 2014 (or such other date as may be agreed between the Vendors and the Placing Agent in writing).

SUBSCRIPTION

Number of Subscription Shares

The Subscription Shares, which is equivalent to the number of Sale Shares to be placed under the Placing, will be subscribed for by the Vendors under the Placing and Subscription Agreement and represent approximately 10.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares as a result of the Subscription.

The Subscription Shares will rank pari passu among themselves and with all other Shares in issue as at the date of the allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.774 represents:

- (i) a discount of 10% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 7.42% to the average of the closing price per Share of HK\$0.836 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 6.97% to the average of the closing price per Share of HK\$0.832 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) the Placing Price.

The Subscription Price was determined with reference to the prevailing market price and the recent trading volume of the Shares and was negotiated on an arm's length basis among the Company, the Vendors and the Placing Agent. In view of the highly volatile capital market conditions, the Directors (including the independent non-executive Directors) consider that the terms of the Placing and the Subscription are fair and reasonable based on the current market condition and that the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

The net Subscription Price, after deduction of relevant expenses, is approximately HK\$0.76 per Subscription Share.

Conditions precedent

The Subscription is conditional upon the following:

- (i) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares;
- (ii) completion of the Placing pursuant to the terms of the Placing and Subscription Agreement; and
- (iii) the Securities and Futures Commission having granted to the Concert Group the waiver to make a mandatory general offer for all the Shares other than those already owned or agreed to be acquired by the Concert Group under Note 6 on dispensations from Rule 26 of the Takeovers Code.

None of the conditions set out above are waivable. In the event that the conditions of the Subscription are not fulfilled on or before 28 November 2014 (or such other date as may be agreed between the Company and the Vendors in writing), the obligations and liabilities of the Vendors and the Company under the Subscription shall be null and void and neither the Company nor the Vendors shall have any claim against the other for costs, damages, compensation or otherwise provided that the Company shall reimburse the Vendors any legal fees and out-of-pocket expenses already incurred and which the Vendors shall be obliged to pay in connection with the Placing.

An application will be made by the Concert Group to the Securities and Futures Commission for a waiver to make a mandatory general offer for all the Shares other than those already owned or agreed to be acquired by the Concert Group under Note 6 on dispensations from Rule 26 of the Takeovers Code.

Completion of the Subscription

Completion of the Subscription will take place on the second Business Day (or such other date as may be agreed between the Company and the Vendors in writing) after the last of the conditions of the Subscription has been fulfilled. The Subscription shall be completed on or before 1 December 2014, being 14 days from the date of the Placing and Subscription Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the Listing Rules and will require compliance with all the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to the issue of a separate announcement and approval by the independent Shareholders.

Termination

The Placing Agent may terminate the Placing and Subscription Agreement by notice in writing to the Vendors and the Company at any time on the date of completion of the Placing if there develops, occurs or comes into force:

- (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations which in the opinion of the Placing Agent has or is likely to have a material adverse effect on the financial position of the Group as a whole; or
- (ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the opinion of the Placing Agent is likely to be materially adverse to the success of the Placing; or
- (iii) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or exchange controls which in the opinion of the Placing Agent is likely to be materially adverse to the success of the Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
- (iv) any adverse announcement, determination or ruling of any governmental or other regulatory body, which would in the opinion of the Placing Agent be materially prejudicial to the success of the Placing; or
- (v) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong, the PRC, the United Kingdom or the United States or the declaration by Hong Kong, the PRC, the United Kingdom or the United States of a national emergency or war; or
- (vi) any suspension of dealings in the Shares for any period whatsoever (other than as a result of the Placing); or
- (vii) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the London Stock Exchange, the New York Stock Exchange or Nasdaq due to exceptional financial circumstances or otherwise at any time prior to the completion of the Placing; or
- (viii) any breach of any of the representations, warranties and undertakings by the Company and/or the Vendors or any event occurs or any matter arises on or after the date of the Placing and Subscription Agreement and prior to the completion of the Placing which if it had occurred or arisen before the date of the Placing and Subscription Agreement would have rendered any of such representations, warranties and undertaking untrue or incorrect in such a manner as would in the opinion of the Placing Agent, materially and adversely affect the financial position or business of the Group or is or would be materially adverse to the success of the Placing or there has been a breach of, or failure to perform, any other provision of the Placing and Subscription Agreement on the part of the Vendors and/or the Company; or

- (ix) any such adverse change, or development involving a prospective adverse change in the general affairs, condition, results of operations or prospects, management, business, stockholders' equity or in the financial or trading position of the Group as a whole which in the opinion of the Placing Agent is materially adverse to the success of the Placing.

Upon termination of the Placing and Subscription Agreement in accordance with the above, all obligations of each of the parties thereto shall cease and determine and no party of the Placing and Subscription Agreement shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing and Subscription Agreement save for any antecedent breach of any obligation under the Placing and Subscription Agreement and any liabilities specifically stated therein.

General Mandate to issue the Subscription Shares

The Subscription Shares will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 10 June 2014, subject to the limit of 371,744,572 Shares (representing approximately 20% of the share capital of the Company in issue on that date). As at the date of this announcement, the Company has not utilised the General Mandate. The Subscription Shares to be allotted and issued by the Company, if subscribed in full (subject to all Sale Shares being successfully placed under the Placing), will utilise approximately 50% of the General Mandate.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The Group has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

CHANGE IN SHAREHOLDING STRUCTURE

Assuming there being no other change in the issued share capital of the Company and all the Sale Shares are fully placed, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the completion of the Placing; and (iii) immediately after the completion of the Placing and the Subscription:

| Shareholders | As at the date of this announcement | | Immediate after completion of the Placing | | Immediate after completion of the Placing and the Subscription | |
|--|-------------------------------------|----------------|---|----------------|--|----------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % | Number of Shares | Approximate % |
| China Water Affairs (Note 1) | 473,623,829 | 25.48% | 473,623,829 | 25.48% | 473,623,829 | 23.16% |
| Good Outlook (Note 1) | 225,863,306 | 12.15% | 207,571,306 | 11.17% | 225,863,306 | 11.05% |
| Sharp Profit (Note 1) | 167,580,000 | 9.02% | — | 0.00% | 167,580,000 | 8.20% |
| Mr. Duan (Note 2) | 4,207,928 | 0.23% | 4,207,928 | 0.23% | 4,207,928 | 0.21% |
| Subtotal: China Water Affairs and parties acting in concert with it | 871,275,063 | 46.88% | 685,403,063 | 36.88% | 871,275,063 | 42.62% |
| China Financial International Investments Limited (Note 3) | 185,899,429 | 10.00% | 185,899,429 | 10.00% | 185,899,429 | 9.09% |
| Ms. Wang Wenxia (Note 4) | 1,231,440 | 0.07% | 1,231,440 | 0.07% | 1,231,440 | 0.06% |
| Mr. Ren Qian (Note 4) | 680,400 | 0.04% | 680,400 | 0.04% | 680,400 | 0.03% |
| Public Shareholders | | | | | | |
| Placees | — | 0.00% | 185,872,000 | 10.00% | 185,872,000 | 9.09% |
| Other public Shareholders | 799,636,529 | 43.01% | 799,636,529 | 43.01% | 799,636,529 | 39.11% |
| Total | 1,858,722,861 | 100.00% | 1,858,722,861 | 100.00% | 2,044,594,861 | 100.00% |

Notes:

1. Good Outlook and Sharp Profit are the wholly-owned subsidiaries of China Water Affairs, being a substantial shareholder of the Company.
2. Mr. Duan is (i) the chairman and non-executive Director of the Company; and (ii) the chairman and executive Director of China Water Affairs.
3. China Financial International Investments Limited is a company incorporated in Bermuda, the issued shares of which are listed on the main board of the Stock Exchange.
4. Mr. Wang Wenxia and Mr. Ren Qian are the executive Directors of the Company.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company and is principally engaged in the businesses of property investment, property development, hotel business and property management in the PRC.

The Board considers that the Placing and the Subscription represents good opportunities to raise additional funds for the Company while broadening the Shareholder and capital base of the Company.

The gross proceeds of the Subscription will amount to approximately HK\$144 million. The net proceeds from the Subscription, after the deduction of the placing commission and other related expenses, are estimated to be approximately HK\$140 million, representing a net issue price of approximately HK\$0.76 per Sale Share. The net proceeds from the Placing and the Subscription will be used for the general working capital and future development of the Group.

DISPENSATION FROM RULE 26 OF THE TAKEOVERS CODE

As a result of the Placing, assuming the Placing Shares are placed in full, the aggregate shareholding of the Vendors and the parties acting in concert with each of them will be reduced from approximately 46.88% to approximately 36.88% immediately after the completion of the Placing, and will be increased to approximately 42.62% immediately after the completion of the Subscription. An application will be made to the Securities and Futures Commission for the granting of the waiver to make a mandatory general offer for all of the Shares other than those already owned or agreed to be acquired by the Concert Group under Note 6 on dispensations from Rule 26 of the Takeovers Code. As stated above, completion of the Subscription will be subject to the granting of the waiver by the Securities and Futures Commission to the Concert Group and none of the conditions for the Subscription can be waived by the parties to the Placing and Subscription Agreement.

RESUMPTION OF TRADING

Trading of Shares and debt securities of the Company were halted with effect from 9:00 a.m. on 17 November 2014 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares and debt securities of the Company with effect from 9:00 a.m. on 19 November 2014.

DEFINITIONS

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

| | |
|---------------------|---|
| “acting in concert” | has the meaning ascribed thereto in the Takeovers Code |
| “Board” | the board of Directors |
| “Business Day” | any day (excluding a Saturday) on which licensed banks are generally open for business in Hong Kong |

| | |
|---------------------------|--|
| “China Water Affairs” | China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on the Stock Exchange, being a substantial shareholder of the Company |
| “Company” | China Water Property Group Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange |
| “Concert Group” | China Water Affairs, Sharp Profit, Good Outlook and Mr. Duan and the parties acting in concert with each of them |
| “Director(s)” | director(s) of the Company |
| “General Mandate” | the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 June 2014 |
| “Good Outlook” | Good Outlook Investments Limited, a company incorporated in the British Virgin Islands with limited liability and one of the Vendors |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party” | a party which is not connected persons (as defined under the Listing Rules) of the Company and is independent of the Company and its connected persons |
| “Last Trading Day” | 14 November 2014, being the last trading day for the Shares before the date of this announcement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Duan” | Mr. Duan Chuan Liang, being (i) the chairman and non-executive Director of the Company; (ii) the chairman and executive director of China Water Affairs; and (iii) the legal and beneficial owner of 4,207,928 Shares, representing approximately 0.23% of the issued share capital of the Company as at the date of this announcement |
| “Placee(s)” | any professional, institutional or individual investor(s) procured by the Placing Agent to purchase any of the Sale Shares pursuant to the Placing and Subscription Agreement |

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|--------------------------------------|---|
| “Placing” | the placing, on a best effort basis, of up to 185,872,000 Sale Shares during the Placing Period pursuant to the terms of the Placing and Subscription Agreement |
| “Placing Agent” | GF Securities (Hong Kong) Brokerage Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Placing and Subscription Agreement” | the conditional placing and subscription agreement dated 17 November 2014 and entered into among the Vendors, the Company and the Placing Agent in relation to the Placing and the Subscription |
| “Placing Period” | the period from the date of the Placing and Subscription Agreement to 19 November 2014 (or such other date as may be agreed by the Vendors and the Placing Agent) |
| “Placing Price” | HK\$0.774 per Sale Share |
| “PRC” | the People’s Republic of China |
| “Sale Share(s)” | up to 185,872,000 Shares to be sold by the Vendors and to be placed under the Placing pursuant to the Placing and Subscription Agreement |
| “Share(s)” | ordinary issued share(s) in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Sharp Profit” | Sharp Profit Investments Limited, a company incorporated in the British Virgin Islands with limited liability and one of the Vendors |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription” | the subscription of the Subscription Shares by the Vendors at the Subscription Price pursuant to the Placing and Subscription Agreement |
| “Subscription Price” | HK\$0.774 per Subscription Share, which is the same as the Placing Price |
| “Subscription Shares” | the new Shares to be issued by the Company under the Subscription, the number of which shall be equivalent to the actual number of Sale Shares placed by the Placing Agent under the Placing |
| “substantial shareholder” | has the meaning ascribed to this term in the Listing Rules |

| | |
|------------------|---|
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Vendors” | Good Outlook and Sharp Profit |
| “HK\$ and cents” | Hong Kong dollars and cents, the lawful currency of Hong Kong |
| “%” | per cent. |

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

Hong Kong, 18 November 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.