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REDCO PROPERTIES GROUP LIMITED

力高地產集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

ISSUANCE OF US\$125 MILLION 13.75% SENIOR NOTES DUE 2019

On 25 July 2014, the Company and the Subsidiary Guarantors entered into the Purchase Agreement with Guotai Junan International, HSBC, ICBC International, Kingston, Morgan Stanley, SC Lowy and VTB Capital (in alphabetical order) in connection with the Notes Issue.

The estimated net proceeds of the Notes Issue, after deduction of the underwriting discounts and commissions and other estimated expenses payable in connection with the Notes Issue, will be approximately US\$121.5 million which the Company plans to use to refinance certain existing indebtedness, finance its existing and new property development projects (including land premium and construction costs) and for other general corporate purposes. The Company may adjust the foregoing plans in response to changing market conditions and thus, reallocate the use of proceeds.

The Company will seek a listing of the Notes on the Stock Exchange. A confirmation of the eligibility of the listing of the Notes has been received from the Stock Exchange for the issuance and listing of the Notes by way of debt issues to professional investors only as described in the offering memorandum. 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.

Reference is made to the announcement of the Company dated 25 July 2014 in respect of the Notes Issue. The Board is pleased to announce that on 25 July 2014, the Company together with the Subsidiary Guarantors, entered into the Purchase Agreement with Guotai Junan International, HSBC, ICBC International, Kingston, Morgan Stanley, SC Lowy and VTB Capital (in alphabetical order) in connection with the Notes Issue in the aggregate principal amount of US\$125 million.

THE PURCHASE AGREEMENT

Date: 25 July 2014

Parties to the Purchase Agreement

- (a) the Company as the issuer;
- (b) the Subsidiary Guarantors;
- (c) Guotai Junan International;
- (d) HSBC
- (e) ICBC International;
- (f) Kingston;
- (g) Morgan Stanley;
- (h) SC Lowy; and
- (i) VTB Capital.

HSBC, ICBC International and Kingston are the joint global coordinators and Guotai Junan International, HSBC, ICBC International, Kingston, Morgan Stanley, SC Lowy and VTB Capital are the joint lead managers and the joint bookrunners of the Notes Issue. Guotai Junan International, HSBC, ICBC International, Kingston, Morgan Stanley, SC Lowy and VTB Capital are also the initial purchasers of the Notes.

The Notes will only be offered and sold by the initial purchasers of the Notes only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act.

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 US\$125 million which will mature on 1 August 2019, unless earlier redeemed pursuant to the terms thereof.

Offering Price

The offering price of the Notes will be 100% of the principal amount of the Notes.

Interests

The Notes will bear interest from and including 1 August 2014 at a rate of 13.75% per annum payable semi-annually in arrears on 1 February and 1 August of each year, commencing 1 February 2015.

Ranking of the Notes

The Notes are (1) general obligations of the Company; (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) at least *pari passu* in right of payment against the Company with respect to the Notes and all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law); (4) guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to certain limitations; (5) effectively subordinated to the other secured obligations (if any, other than permitted *pari passu* secured indebtedness) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the collateral securing the Notes); and (6) effectively subordinated to all existing and future obligations of the subsidiaries of the Company which are not providing guarantees under the Notes.

Events of default

The events of default under the Notes include, among others: (a) 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; (b) default

in the payment of interest on any Notes when the same becomes due and payable, and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of certain covenants described in the Indenture, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a first priority lien on the collateral in accordance with the covenant described in the Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breaches of any other covenant or agreement in the Indenture or under the Notes (other than the default specified in clause (a), (b) or (c) 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; (e) default by the Company or certain of its subsidiaries with respect to any indebtedness having, in the aggregate, an outstanding principal amount of US\$10.0 million or more; (f) 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 to exceed US\$10.0 million (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect; (g) an involuntary case or other proceeding is commenced against the Company or any of its significant subsidiaries (or any group of subsidiaries that together would constitute a significant subsidiary) under bankruptcy, insolvency or similar law, which remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against those companies; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or any of its significant subsidiaries (or any group of subsidiaries that together would constitute a significant subsidiary); or consent to the entry of an order for relief in an involuntary case under any such law; or consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any of its significant subsidiaries (or any group of subsidiaries that together would constitute a significant subsidiary) or for all or substantially all of the property and assets of the Company or any of its significant subsidiaries (or any group of subsidiaries that together would constitute a significant subsidiary); or effects any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denying or disaffirming its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee being determined to be unenforceable or invalid or for any reason ceasing to be in full force and effect; (j) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the

Indenture and the security documents, 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 such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denying or disaffirming its obligations under any security document or, other than in accordance with the Indenture and the security documents, any security document ceasing to be or is not in full force and effect, or the collateral agent ceasing to have a first priority security interest in the collateral.

If an event of default (other than the default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the trustee 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 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 (g) or (h) above occurs with respect to the Company or any of its significant subsidiary (or any group of subsidiaries that together would constitute a significant subsidiary), 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.

Covenants

The Notes, the Indenture and the Subsidiary Guarantees will limit the Company's ability and the ability of its subsidiaries to, among other things:

- (a) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (b) declare dividends on their capital stock or purchase or redeem capital stock;
- (c) make investments or other specified restricted payments;
- (d) issue or sell capital stock of certain of its subsidiaries;
- (e) guarantee indebtedness of certain of its subsidiaries;
- (f) sell assets;
- (g) create liens;

- (h) enter into sale and leaseback transactions;
- (i) enter into agreements that restrict certain of its subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (j) enter into transactions with shareholders or affiliates; and
- (k) effect a consolidation or merger.

Optional Redemption of the Notes

The Notes may be redeemed in the following circumstances:

- (1) On or after 1 August 2017, the Company may on any one or more occasions redeem all or any part of the Notes, at a redemption price (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on 1 August of the years indicated below:

Period	Redemption Price
2017	106.8750%
2018	103.4375%

- (2) At any time and from time to time prior to 1 August 2017, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.
- (3) At any time and from time to time prior to 1 August 2017, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 113.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

Reasons for the Notes Issue

The Group is an integrated residential and commercial property developer primarily focusing on residential property development in the PRC. The Group has successfully established its presence in a number of key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim and the Central and Western Regions including Nanchang, Tianjin, Jinan, Yantai, Hefei and Xianyang. The Group expects delivery of properties in 2014 is more concentrated in the second half of the year.

The estimated net proceeds of the Notes Issue, after deduction of the underwriting discounts and commissions and other estimated expenses payable in connection with the Notes Issue, will be approximately US\$121.5 million, which the Company plans to use to refinance certain existing indebtedness, finance its existing and new property development projects (including land premium and construction costs) and for other general corporate purposes. The Company may adjust the foregoing plans in response to changing market conditions and thus, reallocate the use of proceeds.

Listing and rating

The Company will seek a listing of the Notes on the Stock Exchange. A confirmation of the eligibility of the listing of the Notes has been received from the Stock Exchange for the issuance and listing of the Notes by way of debt issues to professional investors only as described in the offering memorandum. 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.

The Notes are expected to be rated B by Standard & Poor's Ratings Services and B by Fitch Ratings Ltd..

DEFINITIONS

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

“Board”	the board of Directors
“China” or “PRC”	the People's Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement

“Company”	Redco Properties Group Limited, an exempted company incorporated with limited liability in the Cayman Islands, the securities of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guotai Junan International”	Guotai Junan Securities (Hong Kong) Limited, one of the joint lead managers, joint bookrunners and initial purchasers in respect of the offer and sale of the Notes
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, one of the joint global coordinators, joint lead managers, joint bookrunners and initial purchasers in respect of the offer and sale of the Notes
“ICBC International”	ICBC International Capital Limited (one of the joint global coordinators and joint bookrunners) and ICBC International Securities Limited (one of the joint lead managers and initial purchasers), in respect of the offer and sale of the Notes
“Indenture”	the written agreement to be entered into on the original issue date of the Notes between the Company, as the issuer of the Notes, the Subsidiary Guarantors, as guarantors of the Notes, and Citicorp International Limited, as trustee, that specified the terms of the Notes including the interest rate of the Notes and the maturity date
“JV Subsidiary Guarantees”	limited-recourse guarantees given by the JV Subsidiary Guarantors on the Notes
“JV Subsidiary Guarantor”	each subsidiary of the Company which in the future provides a JV Subsidiary Guarantee
“Kingston”	Kingston Securities Limited, one of the joint global coordinators, joint lead managers, joint bookrunners and initial purchasers in respect of the offer and sale of the Notes

“Morgan Stanley”	Morgan Stanley & Co. International plc, one of the joint lead managers, joint bookrunners and initial purchasers in respect of the offer and sale of the Notes
“Notes”	the 13.75% senior notes due 2019 in the aggregate principal amount of US\$125 million to be issued by the Company
“Notes Issue”	the issue of the Notes by the Company
“Purchase Agreement”	the agreement dated 25 July 2014 entered into between, among others, the Company, Guotai Junan International, HSBC, ICBC International, Kingston, Morgan Stanley, SC Lowy, VTB Capital and the Subsidiary Guarantors in relation to the Notes Issue
“Regulation S”	Regulation S under the Securities Act
“SC Lowy”	SC Lowy Financial (HK) Ltd. (one of the joint lead managers and joint bookrunners) and SC Lowy Primary Investments, Ltd. (one of the joint lead managers and initial purchasers), in respect of the offer and sale of the Notes
“Securities Act”	the United States Securities Act of 1933, as amended
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantees”	the guarantees provided by the Subsidiary Guarantors in respect of the Notes
“Subsidiary Guarantors”	certain non-PRC subsidiaries of the Company which guarantee the Notes
“Subsidiary Guarantor Pledgors”	Subsidiary Guarantors that on the issue date of the Notes will pledge collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantors under the Subsidiary Guarantees provided by them
“United States”	the United States of America
“US\$”	United States dollar(s)

“VTB Capital”

VTB Capital plc, one of the joint lead managers, joint bookrunners and initial purchasers in respect of the offer and sale of the Notes

“%”

percentage

By Order of the Board
Redco Properties Group Limited
Huang Ruoqing
Executive Director

Hong Kong, 27 July 2014

As at the date of this announcement, the executive Directors are Mr. Huang Ruoqing, Mr. Tang Chengyong, Mr. Hong Duxuan; and the independent non-executive Directors are Dr. Wong Yau Kar, David BBS, JP, Mr. Chau On Ta Yuen, Mr. Yip Tai Him and Mr. Chow Kwong Fai, Edward, JP.