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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)**

**DISCLOSEABLE TRANSACTION:  
ACQUISITION OF THE ENTIRE EQUITY INTERESTS  
OF A COMPANY HOLDING PROPERTY INTEREST  
IN WEDZ, HUBEI, THE PRC**

The Company is pleased to announce that after arm's length negotiations between the relevant parties, on 6 January 2011 (after trading hours), the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the Possible Acquisition.

The Target is currently holding the land use right in respect of the Property in WEDZ, Wuhan Economic and Technological Development Zone.

The entering into of the Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

**BACKGROUND OF THE ACQUISITION**

On 5 November 2010, after arm's length negotiations, the Vendor and the Purchaser, a wholly owned subsidiary of the Company, entered the non-binding Framework Agreement in relation to the Possible Acquisition of the Target. A refundable deposit (the "Deposit") of RMB50,000,000 has been paid by the Purchaser to the Vendor pursuant to the terms of the Framework Agreement.

The Company is pleased to announce that after further arm's length negotiations between the relevant parties, on 6 January 2011 (after trading hours), the Purchaser entered into the Agreement with the Vendor in relation to the Possible Acquisition. The entering into of the Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

## **THE AGREEMENT**

### **Date:**

6 January 2011 (after trading hours)

### **Parties:**

- (i) the Purchaser, a company established in the PRC and a wholly owned subsidiary of the Company, as the purchaser of the Sale Capital; and
- (ii) the Vendor, a company established in the PRC and the vendor of the Sale Capital.

The Vendor is a company established in the PRC and is principally engaged in investments management and asset management. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

The Purchaser, being a wholly owned subsidiary of the Company, is a property development company established in the PRC.

### **Assets to be acquired**

Pursuant to the Agreement, it was agreed that the Purchaser shall acquire and the Vendor shall sell the Sale Capital, which represents the entire registered and paid-up capital of the Target.

After Completion, the Purchaser shall be interested in the entire registered and paid-up capital of the Target and the Target will be treated as a wholly owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

### **Consideration**

The total consideration for the Possible Acquisition is RMB105,000,000 (equivalent to approximately HK\$123,529,000) and shall be settled by the Purchaser in the following manner (or such other manner as the parties thereto may agree):

- (i) as to the Deposit of a total of RMB50,000,000 (equivalent to approximately HK\$58,823,000) has been paid in cash by the Purchaser to the Vendor at the time of entering into of the Framework Agreement; and
- (ii) the remaining balance of RMB55,000,000 (equivalent to approximately HK\$64,706,000) shall be payable within one year from the date of the Agreement.

The consideration for the Sale Capital was determined after arm's length negotiations between the Vendor and the Purchaser after considering various factors, including the preliminary valuation of the Property by an independent professional valuer. The preliminary valuation of the Property amounts to approximately RMB140,000,000. The consideration will be funded by the internal resources of the Group.

In the event that the Purchaser is not satisfied with the due diligence results, the Vendor shall, within three working days after the written notification of the Purchaser, refund the Deposit of RMB50,000,000 without interest to the Purchaser.

### **Conditions**

Completion is subject to the following conditions having been fulfilled:

1. the Purchaser being satisfied with the results of the due diligence to be conducted on the assets, liabilities, operations and affairs of the Target;
2. the board of directors of the Purchaser and the shareholder(s) of the Purchaser having approved the Agreement and the execution thereof;
3. the board of directors of the Target and the shareholder(s) of the Target having approved the Agreement and necessary approval and permit (if any) having been obtained; and
4. from the date of the Agreement to the Completion Date, there being no material adverse change to the financial position, operation environment, assets or prospect of the Target and there being no material change to any relevant laws, regulations and policy in relation to the Agreement.

If the conditions are not fulfilled on or before 31 March 2011 (or such later date as the parties to the Agreement may agree), the Agreement shall cease and terminate and thereafter neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches thereof.

### **Completion**

Completion shall take place on the date after all the conditions of the Agreement have been fulfilled or such later date as may be agreed between the parties thereto.

### **INFORMATION OF THE TARGET COMPANY AND THE PROPERTY**

The Target is a company established in the PRC with a registered capital of RMB50,000,000 and is principally engaged in property development and sales, sale of vehicles and vehicle accessories and logistics. After Completion, the Purchaser shall be interested in the entire registered and paid up capital of the Target.

The Target is currently inactive and solely holding the land use right in respect of the Property in Wuhan Economic and Technological Development Zone, the PRC. The plot has a site area of approximately 30,625 square meters with planned gross floor area of approximately 91,872 square meters and is permitted for commercial and office development. The Property is strategically situated in the prime location of WEDZ. The Property is located next to the Hanyang Bus Terminal and close to Longyang Avenue near the Western Wuhan Middle Ring Road. The location can be easily accessible to the central of Wuhan City and is also adjacent to the Longyang Station of Wuhan Metro Line 3 which is currently under construction.

Set out below is the financial information of the Target as prepared under the general accepted accounting principles in the PRC:

	<b>For the year ended 31 December 2010</b>	<b>For the year ended 31 December 2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before taxation	—	—
Loss after taxation	—	—
Net asset value	100,000	90,000

## **REASONS FOR THE POSSIBLE ACQUISITION**

The principal activities of the Group comprise property development and property investment in the PRC.

After Completion, the Group will beneficially own the entire registered and paid up capital of the Target and there will be three property development projects in Wuhan City with this addition. The Directors consider that the Acquisition will allow the Group to further participate and strengthen its property development businesses in Wuhan City, Hubei Province, the PRC. This new property development project will be able to realize synergistic effect with the existing property projects of the Group in Wuhan City and will be an essential part to enrich the branded property projects of the Group in Wuhan City. The Directors are optimistic about the prospect of the property market in Wuhan City and it is expected that there will be continued growing potential in future.

In light of the growing potential of the Target and the synergy effect of the Possible Acquisition with the other property development projects in Wuhan City, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Possible Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

The Possible Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Agreement”	the formal agreement for the Possible Acquisition dated 6 January 2011 entered into between the Purchaser and the Vendor
“Board”	the board of Directors
“Company”	China Water Property Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Possible Acquisition pursuant to the terms and conditions of the Agreement
“Connected Persons”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	director(s) of the Company
“Framework Agreement”	the non-binding framework agreement entered into between the Purchaser and the Vendor on 5 November 2010
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its Connected Persons of the Company in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Possible Acquisition”	the possible acquisition of the Sale Capital subject to and upon the terms and conditions of the Agreement and the transactions contemplated thereunder
“Property”	the property plot held by the Target in Wuhan City, the PRC under the land use right certificate number 武開國用2010第72號 (Wu Kai Guo Yong 2010–72#)

“Purchaser”	水務地產湖北有限公司 (Water Property Hubei Limited <sup>#</sup> ), being a wholly owned subsidiary of the Company
“Sale Capital”	the entire registered and paid-up capital of the Target
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	武漢市中南汽車配件配套有限責任公司 (Wuhan Zhong Nan Automobile Parts and Accessories Co. Ltd. <sup>#</sup> ), a company established in the PRC and is owned as to 100% by the Vendor
“Vendor”	武漢海螺商貿投資管理有限公司 (Wuhan Hailuo Commercial Investment Management Co. Ltd. <sup>#</sup> ), the vendor of the Sale Capital under the Agreement
“WEDZ”	武漢經濟技術開發區 (Wuhan Economic and Technological Development Zone <sup>#</sup> )
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

<sup>#</sup> *The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

Amounts denominated in RMB in this announcement has been converted into HK\$ at the rate of HK\$1 = RMB0.85 for illustration purposes.

By order of the Board  
**China Water Property Group Limited**  
**Wang Wenxia**  
*Vice Chairman*

Hong Kong, 6 January 2011

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