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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)

**NON-BINDING FRAMEWORK AGREEMENT
RELATING TO A PROPOSED COOPERATION IN NATURAL GAS PROJECTS**

This announcement is made by the Company pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board is pleased to announce that on 12 November 2014 (after trading hour of the Stock Exchange), Zhongshui Property, an indirect wholly owned subsidiary of the Company, entered into the Framework Agreement with Mr. Yu, an independent third party, in relation to a proposed cooperation between Zhongshui Property and Mr. Yu in the Natural Gas Projects in Yongxing and Rucheng counties of Chenzhou city, Hunan Province, the PRC.

The proposed cooperation in the Natural Gas Projects is subject to the execution of certain legally binding agreement(s) by the Parties, the receipt of consents, waivers and/or completion of related exercises (if applicable) from/with third parties in respect of the Company's existing financing arrangements and receiving relevant regulatory approvals (if applicable). There can be no assurance that the proposed cooperation in the Natural Gas Projects will proceed. As such, shareholders of the Company and public investors are advised to exercise caution when dealing in the securities of the Company.

This announcement is made by China Water Property Group Limited (the “**Company**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Reference is made to the announcement of the Company dated 28 October 2014 in relation to the proposed change of the company name from “China Water Property Group Limited” to “China City Infrastructure Group Limited” and the Chinese name from “中國水務地產集團有限公司” to “中國城市基礎設施集團有限公司”. In order to strengthen and implement

their development strategy in the infrastructure business, the Company and its subsidiaries (the “**Group**”) may explore and evaluate acquisition or joint venture opportunities as it may consider appropriate from time to time.

The board of directors (the “**Board**”) of the Company is pleased to announce that on 12 November 2014 (after trading hour of the Stock Exchange), Shenzhen Zhongshui Property Company Limited* (深圳中水置業有限公司) (“**Zhongshui Property**”) entered into a framework agreement (the “**Framework Agreement**”) with Mr. Yu Zeming (“**Mr. Yu**”), an independent third party, in relation to a proposed cooperation between Zhongshui Property and Mr. Yu with respect to two exclusive natural gas pipeline distribution network construction rights and exclusive thirty-years natural gas pipeline network and piped-natural gas sales and distribution operating rights projects (the “**Natural Gas Projects**”) in Yongxing and Rucheng counties of Chenzhou city, Hunan Province, the People’s Republic of China (“**PRC**”).

To the best knowledge of the directors of the Company, having made all reasonable enquiries, Mr. Yu is an independent third party from the Company and from connected persons of the Company.

As stipulated in the Framework Agreement, the expected annual volume of natural gas supply of the Natural Gas Projects during its first phase is approximately 60,000,000m³. The total investment amount of the Natural Gas Projects is expected to be approximately RMB240,000,000 and would be invested in phases. It is the intention of the parties to the Framework Agreement (the “**Parties**”) that:

- (1) Zhongshui Property will hold 60% interest in, and thus will become the controlling shareholder of, each of the two project companies that will operate the Natural Gas Projects (the “**Project Companies**”);
- (2) Zhongshui Property will appoint the director(s), the chairman and the financial controller of the Project Companies and nominate the general manager of the Project Companies, while Mr. Yu will nominate the executive general manager of the Project Companies; and
- (3) the Parties will enter into binding and definitive agreement(s) to set out the specific details in respect of the cooperation as soon as possible but within 90 days from the date of the Framework Agreement or any other day as agreed by the Parties.

The Framework Agreement is intended to record the direction of the proposed cooperation in the Natural Gas Projects and provide a framework for negotiations between the Parties. Except for the provisions regarding exclusivity and confidentiality relating to the proposed cooperation in the Natural Gas Projects, the provisions of the Framework Agreement are not legally binding nor do they oblige either Party to proceed with a definitive agreement with respect to the proposed cooperation. Further, as the terms and conditions of the definitive agreement(s) (if any) will be subject to further negotiations between the Parties, they may differ from the terms and conditions of the Framework Agreement.

As at the date of this announcement, no binding agreements in relation to the proposed cooperation in the Natural Gas Projects have been entered into and no transaction has yet taken place on the part of the Company upon signing of the Framework Agreement. The

Company will comply with the relevant requirements of the Listing Rules when it proceeds with or enters into a binding agreement in relation to the proposed cooperation in the Natural Gas Projects.

REASON FOR ENTERING INTO THE FRAMEWORK AGREEMENT

The Group is principally engaged in the businesses of property investment, property development, hotel business and property management. In order to further develop and expand the business scope of the Group, and as a natural diversification of existing businesses of the Group, the Group intends to develop its infrastructure business. The Company considers that the proposed cooperation in the Natural Gas Projects will provide the Group with access to the natural gas market, one of the important markets in infrastructure businesses in the PRC. The Board considers that the proposed cooperation in the Natural Gas Projects is consistent with the ongoing and future strategy of the Group to develop its infrastructure business, which is related to and complementary with the existing businesses of the Group.

OTHER MATTERS AND CONDITIONS RELATED TO THE PROPOSED COOPERATION

The Company has undertaken various forms of financing, which include the issuance of an aggregate of HK\$600,000,000 12.5% senior notes due 2016 on 28 November 2013 and 14 May 2014, which are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of debt issues to professional investors only, as well as other forms of financing, including loan facilities and other forms of bank financing (collectively, the “**existing financing arrangements**”). The terms, conditions and undertakings of such existing financing arrangements include certain standard financial and operational covenants and undertakings that are customarily included in similar financing arrangements, and may restrict the Company from engaging in the proposed cooperation in the Natural Gas Projects. As such, the Company is currently assessing all appropriate measures and will take steps to ensure that the proposed cooperation in the Natural Gas Projects will fully comply with the terms, conditions and undertakings of such existing financing arrangements, and the proposed cooperation in the Natural Gas Projects will be conditional upon completion of such steps to the Company’s satisfaction which may include receipt of consents, waivers, and/or other approvals as may be necessary in connection with such existing financing arrangements.

The Company will make further announcement(s) to update its shareholders and the investing public if there are material developments in this regard as and when it considers appropriate or necessary under the relevant Listing Rules.

The proposed cooperation in the Natural Gas Projects is subject to the execution of certain legally binding agreement(s) by the Parties, the receipt of consents, waivers and/ or completion of related exercises (if applicable) from/with third parties in respect of the Company's existing financing arrangements and receiving relevant regulatory approvals (if applicable). There can be no assurance that the proposed cooperation in the Natural Gas Projects will proceed. As such, shareholders of the Company and public investors are advised to exercise caution when dealing in the securities of the Company.

* 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.

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

Hong Kong, 12 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.