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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)

PROPOSED ACQUISITION OF 60% EQUITY INTEREST OF A REAL ESTATE PROJECT COMPANY IN HANGZHOU, THE PRC

The Board is pleased to announce that on 19 January 2010, the Purchaser, a wholly-owned subsidiary of the Company, has entered into the MOU with the Vendors in relation to the Possible Acquisition.

If the Formal Agreement(s) are entered into, it is expected that the Possible Acquisition will constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or Shareholders' approval requirements under the Listing Rules.

Shareholders of the Company and/or investors should note that the Possible Acquisition may or may not materialise, as no formally binding documentation has been executed between the parties and discussions are still in progress.

Accordingly, Shareholders and/or investors are advised to exercise caution when dealing in the Company's securities.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board is pleased to announce that on 19 January 2010, the Purchaser, a wholly owned subsidiary of the Company has entered into the MOU with the Vendors respectively in relation to the Possible Acquisition.

THE MOU

Date: 19 January 2010

Parties: (i) the Purchaser, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;

- (ii) the First Vendor, a company established in the PRC principally engaged in property development and the beneficial owner of 40% equity interests of the Target;
- (iii) the Second Vendor, a PRC citizen and the beneficial owner of 33% equity interests of the Target; and
- (iv) the Third Vendor, a PRC citizen and the beneficial owner of 27% equity interests of the Target

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Vendors and, if applicable, their ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

Major terms of the MOU

Under the MOU, it is proposed that the Purchaser will acquire 24%, 19.8% and 16.2% equity interests of the Target from the First Vendor, the Second Vendor and the Third Vendor respectively. Upon completion of the Possible Acquisition, the Purchaser shall beneficially own an aggregate of 60% equity interests of the Target and the Target will become a non-wholly owned subsidiary of the Company and its results will be consolidated with the financial results of the Group.

Under the MOU, both the Purchaser and the Vendors will proceed to negotiate for legally-binding Formal Agreement(s) within 90 days from the date of the MOU (or such later date to be agreed by the parties thereto).

It is also agreed that the Vendors will not, within 90 days from the date of the MOU, negotiate with any third party for the Possible Acquisition.

The aggregate consideration payable by the Purchaser for the Possible Acquisition shall be subject to further negotiation between the Purchaser and the Vendors. It is contemplated that such consideration will not be more than RMB150,000,000 (approximately HK\$170,454,545). The timing and terms of payment of such consideration will be determined by the Purchaser and the Vendors at the time of entering into Formal Agreement(s).

Information on the Target and reasons for the Possible Acquisition

The Target, a company established in Hangzhou City, the PRC, is principally engaged in property development in the PRC. The Target is currently holding the Property located at Qiandao Lake, Hangzhou City, Zhejiang Province, the PRC. This project consists of three phases, all of which are under development. The project is expected to occupy a total site area of approximately 44,016 square meters and will primarily consist of low-density luxury lakefront villas with the private docking facility with gross floor area of approximately 22,737 square meters.

In order to seek for more business opportunities and to maximize return to the Company and its Shareholders in long run, the Group has decided to enter into the MOU to enlarge the land reserve of the Group and also strengthen the strategic co-operation between the Group and Vendors in the Zhejiang real estate market.

The Purchaser will conduct further due diligence review on the Target and the Property in accordance with the terms of the MOU.

General

The MOU, excluding, among others, the 90-day exclusivity period agreed by the Vendors, does not constitute legally-binding commitment in respect of the Possible Acquisition. The Possible Acquisition will be subject to the execution and completion of the Formal Agreement(s).

If the Formal Agreement(s) are entered into, it is expected that the Possible Acquisition will constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or Shareholders' approval requirements under the Listing Rules.

Shareholders of the Company and/or investors should note that the Possible Acquisition may or may not materialise, as no formally binding documentation has been executed between the parties and discussions are still in progress.

Accordingly, Shareholders and/or investors are advised to exercise caution when dealing in the Company's securities.

DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“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
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	director(s) of the Company
“First Vendor”	金成房地產集團有限公司 (Jin Cheng Property Group Co., Ltd.#), a company established in the PRC principally engaged in property development and the beneficial owner of 40% equity interests of the Target
“Formal Agreement(s)”	the formal agreement(s) as contemplated under the MOU

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 19 January 2010 entered into between the Purchaser and the Vendors in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition of an aggregate 60% equity interests in the Target as contemplated under the MOU
“PRC”	People’s Republic of China
“Property”	the property located in Qiandao Lake, Hangzhou City, Zhejiang Province, the PRC held by the Target
“Purchaser”	Head Fame Properties Limited, a company incorporated in Hong Kong and is a wholly owned subsidiary of the Company
“Second Vendor”	周秋羊 (Zhou Qiuyang [#]), a PRC citizen and the beneficial owner of 33% equity interests of the Target
“Share(s)”	ordinary share(s) of HK\$0.01 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	杭州普天房地產開發有限公司 (Hangzhou Pu Tian Property Development Co., Ltd. [#]), a company established in the PRC and is owned as to 40% by the First Vendor, as to 33% by the Second Vendor and as to 27% by the Third Vendor
“Third Vendor”	倪國明 (Ni Guoming [#]), a PRC citizen and the beneficial owner of 27% equity interests of the Target
“Vendors”	together the First Vendor, the Second Vendor and the Third Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

By order of the Board
China Water Property Group Limited
Wang Wen Xia
Vice Chairman

Hong Kong, 19 January 2010

As at the date of this announcement, the Board comprises Mr. But Ka Wai (Chairman), Ms. Wang Wen Xia (Vice Chairman), Mr. But Chai Tong (Vice Chairman), Mr. Sun Zhen Yu and Mr. Ren Qian as executive Directors, Mr. Zhou Kun as non-executive Director and Mr. Chen Ziqiang, Mr. Tam Pei Qiang and Ms. Li Ling as independent non-executive Directors.

the English translations 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