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

The Company is pleased to announce that after arm's length negotiations between the relevant parties on 1 April 2010 (after trading hour), the Purchaser entered into the Agreement with the Vendors in relation to the Possible Acquisition.

The Target is currently holding the Property located at Qiandao Lake, Hangzhou City, Zhejiang Province, the PRC. The Property is under constructions and being developed in stages.

The entering into of the Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Possible Acquisition and a notice of EGM will be despatched to the Shareholders as soon as practicable.

Reference is made to the announcement of the Company dated 19 January 2010 in relation to, among others, the entering into of the memorandum of understanding between the Vendors and the Purchaser in relation to the Possible Acquisition.

The Company is pleased to announce that after arm's length negotiations between the relevant parties on 1 April 2010 (after trading hour), the Purchaser entered into the Agreement with the Vendors 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:**

1 April 2010 (after trading hour)

### **Parties:**

- (i) the Purchaser, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company, as the purchaser of the Sale Capital;
- (ii) the First Vendor, a company established in the PRC and principally engaged in property development and the beneficial owner of 40% equity interests of the Target and the vendor of 24% equity interests of the Target;
- (iii) the Second Vendor, a PRC citizen and the beneficial owner of 33% equity interests of the Target and the vendor of 19.8% equity interests of the Target; and
- (iv) the Third Vendor, a PRC citizen and the beneficial owner of 27% equity interests of the Target and the vendor of 16.2% 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 Independent Third Parties and as at the date of this announcement, each of the Vendors and their respective associates do not hold any Shares or other securities in the Company.

The Purchaser, being a wholly owned subsidiary of the Company, is an investment holding company incorporated in Hong Kong.

The Vendors intend to hold the Consideration Shares for investment purpose and has no intention to nominate or appoint Directors to the Board. The Agreement does not confer any rights to any of the Vendors to nominate or appoint Directors to the Board.

### **Assets to be acquired**

Pursuant to the Agreement, it was agreed that the Purchaser shall acquire and the Vendors shall sell the Sale Capital in the proportion (i) as to 24% equity interests of the Target by the First Vendor; (ii) as to 19.8% equity interests of the Target by the Second Vendor; and (iii) as to 16.2% equity interests of the Target by the Third Vendor. The Sale Capital in aggregate represents 60% of the entire registered and paid-up capital of the Target.

The Vendors warrant and undertake in the Agreement that there will be no shareholders' loan owed by the Target Company to the Vendors upon Completion.

It was agreed after arm's length negotiations between the parties to the Agreement that the Possible Acquisition shall be conducted by way of purchase of the Sale Capital.

After the Completion, the Purchaser shall be interested in 60% of the entire registered and paid-up capital of the Target.

### **Consideration**

The total consideration for the Possible Acquisition is RMB150,000,000 (equivalent to approximately HK\$170,455,000) 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 initial deposit (the "**Initial Deposit**") of a total of RMB30,000,000 (equivalent to approximately HK\$34,091,000) will be paid in cash by the Purchaser to the Vendors in the proportion of RMB10,000,000 to each of the Vendors within five Business Days following signing of the Agreement;
- (ii) as to RMB45,000,000 (equivalent to approximately HK\$51,136,000) shall be payable by way of cash by the Purchaser to the Vendors (as to RMB20,000,000 (equivalent to approximately HK\$22,727,000) to the First Vendor, as to RMB14,750,000 (equivalent to approximately HK\$16,761,000) to the Second Vendor and as to RMB10,250,000 (equivalent to approximately HK\$11,648,000) to the Third Vendor) within ten Business Days after the Completion;
- (iii) as to RMB56,250,000 (equivalent to approximately HK\$63,920,000) shall be payable by the Purchaser by way of procuring the Company to issue and allot the Consideration Shares (First Tranche) at the Issue Price (First Tranche) to the Vendors (or their respective nominee(s)) (as to 175,124,533 Consideration Shares (First Tranche) to the First Vendor, as to 144,477,740 Consideration Shares (First Tranche) to the Second Vendor and as to 118,209,060 Consideration Shares (First Tranche) to the Third Vendor) at the Completion; and
- (iv) the remaining balance of RMB18,750,000 (equivalent to approximately HK\$21,307,000) shall be payable at the discretion of the Purchaser by procuring the Company to issue and allot the Consideration Shares (Second Tranche) at the Issue Price (Second Tranche) to the Vendors (or their respective nominee(s)) (as to 58,374,844 Consideration Shares (Second Tranche) to the First Vendor, as to 48,159,247 Consideration Shares (Second Tranche) to the Second Vendor and as to 39,403,020 Consideration Shares (Second Tranche) to the Third Vendor) on the date falling six months after the Completion (the "**Second Tranche Date**").

For the purpose of calculation of the consideration for the Possible Acquisition, the exchange rate shall be calculated on the basis that HK\$1.00 for RMB0.88.

The consideration for the Sale Share was determined after arm's length negotiations between the Vendors 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 will amount to approximately RMB263,000,000. The funding for the cash consideration will be from the internal resources of the Group.

In the event that the Completion does not take place as stipulated or the conditions precedent cannot be fulfilled, the Vendors shall refund the Initial Deposit to the Purchaser and neither party shall have any obligations and liabilities under the Agreement.

### **Conditions precedent**

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

1. all necessary consents and approvals required to be obtained on the part of the Vendors and the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;
2. no event, fact or situation that will cause the breaches or the possible breaches of warranties or terms of the Agreement by the Vendors;
3. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;
4. if necessary, the passing by the Shareholders of ordinary resolution(s) approving the transactions contemplated under the Agreement, including but not limited to the allotment and issue of the Consideration Shares;
5. the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the legality and the validity in respect to the establishment and subsistence of the Target and the transactions contemplated under the Agreement;
6. the completion of the Reorganisation; and
7. the Purchaser being satisfied with the results of the due diligence to be conducted on the assets, liabilities, operations and affairs of the Target.

None of the above conditions can be waived by the parties to the Agreement. If the conditions are not fulfilled on or before 30 June 2010 (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 falling the second Business Day after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between the parties thereto.

## **The Reorganisation**

The Reorganisation shall involve the transformation of the Target from a PRC domestic enterprise to become a Sino-foreign joint venture enterprise.

Pursuant to the Agreement, the Reorganisation shall be conducted in such a manner as the Purchaser may approve.

## **Profit Guarantee**

The Vendors have guaranteed and warranted to the Purchaser that the audited profit before taxation of the Target for the period from Completion ending 31 December 2012 or the date of the sale of all units of the Property, whichever is earlier (or such longer period as may be agreed between the parties to the Agreement) (the “Guaranteed Period”), shall not be less than RMB400,000,000 (the “Guaranteed Profit”). In the event the Guaranteed Profit is not achieved, the Vendors shall indemnify the Purchaser in cash (or such other method as the parties to the Agreement may agree) an amount equivalent to the shortfall which will be equal to the difference between the actual profit before taxation of the Target for the Guaranteed Period and the Guaranteed Profit.

Further announcement will be made by the Company in the event that the Guaranteed Profit is not achieved.

## **THE CONSIDERATION SHARES**

The 583,748,444 Consideration Shares will be issued at an Issue Price of HK\$0.146 per Consideration Share, credited as fully paid.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

- (i) a discount of approximately 12% to the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on 31 March 2010, being the last trading day immediately prior to the date of the Agreement;
- (ii) a discount of approximately 12% to the average closing price of approximately HK\$0.165 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 31 March 2010, being the last trading day immediately prior to the date of the Agreement; and
- (iii) a discount of approximately 5% to the average closing price of approximately HK\$0.154 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 31 March 2010, being the last trading day immediately prior to the date of the Agreement.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM and will be allotted and issued on the date of the Completion and the Second Tranche Date respectively for the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche) respectively.

The Consideration Shares represent (i) approximately 6.88% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 5.91% of the issued share capital of the Company immediately after the Top-up Placing but before the issue and allotment of the Consideration Shares; and (iii) approximately 5.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Each of the Vendors undertakes to the Purchaser that it will not, within the period commencing on the date of the Completion and ending on the date falling 3 months after the Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of 50% of the Consideration Shares issued or any interests therein or grant any options or rights in respect of 50% of the Consideration Shares issued without prior approval from the Purchaser. Each of the Vendors undertakes to the Purchaser that it will not, within the period commencing on the date of the Completion and ending on the date falling 6 months after the Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of the other 50% of the Consideration Shares issued or any interests therein or grant any options or rights in respect of the other 50% of the Consideration Shares issued without prior approval from the Purchaser.

The Issue Price was determined by the Board after taking into consideration of various factors including, the market price of the Shares. The Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable.

## Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

## CHANGE IN SHAREHOLDINGS

The changes in the shareholding structure of the Company as a result of the allotment and issue of the Consideration Shares are as follows:

| Shareholders   | Issued share capital as at the date of this announcement |                        | Issue share capital after the Top-up Placing but before the issue and allotment of the Consideration Shares |                        | Issued share capital immediately after allotment and issue of the Consideration Shares (First Tranche) but before the allotment and issue of the Consideration Shares (Second Tranche) |                        | Issued share capital immediately after allotment and issue of the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche) |                        |
|--|--|------------------------|---|------------------------|--|------------------------|--|------------------------|
|  | No. of Shares  | Approximate Percentage | No. of Shares   | Approximate Percentage | No. of Shares  | Approximate Percentage | No. of Shares  | Approximate Percentage |
| China Water Affairs Group Limited and its associates | 1,984,706,172  | 23.38%                 | 1,984,706,172   | 20.10%                 | 1,984,706,172  | 19.24%                 | 1,984,706,172  | 18.97%                 |
| Highest Growth Holdings Limited                      | 846,228,234  | 9.97%                  | 846,228,234   | 8.57%                  | 846,228,234  | 8.20%                  | 846,228,234  | 8.09%                  |
| Sunshine Capital Investments Group Limited (Note 1)  | 593,951,105  | 6.99%                  | 593,951,105   | 6.01%                  | 593,951,105  | 5.76%                  | 593,951,105  | 5.68%                  |
| The First Vendor                                     | -  | -                      | -   | -                      | 175,124,533  | 1.70%                  | 233,499,377  | 2.23%                  |
| The Second Vendor                                    | -  | -                      | -   | -                      | 144,477,740  | 1.40%                  | 192,636,987  | 1.84%                  |
| The Third Vendor                                     | -  | -                      | -   | -                      | 118,209,060  | 1.15%                  | 157,612,080  | 1.51%                  |
| Total of the Vendors                                 | -  | -                      | -   | -                      | 437,811,333  | 4.25%                  | 583,748,444  | 5.58%                  |
| Mr. But Ka Wai and his associates (Note 2)           | 16,664,000   | 0.20%                  | 16,664,000  | 0.17%                  | 16,664,000   | 0.16%                  | 16,664,000   | 0.16%                  |
| Public Shareholders                                  | 5,048,470,834  | 59.46%                 | 6,434,470,834   | 65.15%                 | 6,434,470,834  | 62.39%                 | 6,434,470,834  | 61.52%                 |
| Total  | <u>8,490,020,345</u>                                     | <u>100.00%</u>         | <u>9,876,020,345</u>  | <u>100.00%</u>         | <u>10,313,831,678</u>  | <u>100.00%</u>         | <u>10,459,768,789</u>  | <u>100.00%</u>         |

### Notes:

- Ms. Wang Wenxia, the Vice Chairman and an executive Director of the Company, is also the chairman and an executive director of Sunshine Capital Investments Group Limited, a listed company in Hong Kong
- Mr. But Ka Wai is the Chairman and an executive Director of the Company.

## INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Target is a company established in the PRC with a registered capital of RMB30,000,000 and is principally engaged in property development business. After the Completion, the Purchaser shall be interested in 60% of the entire registered and paid-in capital of the Target.

The Target is currently holding the Property located at Qiandao Lake, Hangzhou City, Zhejiang Province, the PRC. The project is occupying a total site area of approximately 44,016 sq m and will primarily consist of low-density luxury lakefront villas with the private docking facility with gross floor area of approximately 23,510 sq m.

The project developing costs of completing the Property will be funded by internal resources of the Target, customer deposits on pre-sales as well as the bank loan.

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

|                      | <b>For the year ended<br/>31 December 2008</b> | <b>For the year ended<br/>31 December 2009</b> |
|----------------------|--|--|
|                      | <i>RMB'000</i>                                 | <i>RMB'000</i>                                 |
|                      | <i>(Unaudited)</i>                             | <i>(Unaudited)</i>                             |
| Loss before taxation | 3,216  | 4,457  |
| Loss after taxation  | 3,216  | 4,457  |
| Net asset value      | (7,879)  | (12,336)                                       |

After the Completion, the Target will be treated as a subsidiary of the Group and its results will be consolidated in the consolidated financial statements of the Group.

## REASONS FOR THE POSSIBLE ACQUISITION

The principal activities of the Group comprise of property development and property investment in the PRC and its subsidiaries also engaged in packaged food and healthcare product business.

The principal business of the Target is the development and construction of the Property in Hangzhou City. The Company is of the view that future development on the Property will generate considerable revenue and realize the financial benefit to the Group. The Possible Acquisition is also in line with the Group's business strategy and strengthens the strategic co-operation between the Group and the Vendors in the Zhejiang property development market.

In light of the growing potential of the Target, 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.

Since the issue and allotment of the Consideration Shares will require the specific mandate from the Shareholders to be sought at the EGM, a circular containing details of the Possible Acquisition and a notice of EGM will be despatched to the Shareholders as soon as practicable. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Possible Acquisition and accordingly no Shareholders will be required to abstain from voting at the EGM.

## **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 1 April 2010 entered into between the Purchaser and the Vendors  |
| “associates”                           | has the meaning ascribed to this term under the Listing Rules  |
| “Board”                                | the board of Directors   |
| “Business Day”                         | any day (not being Saturdays, Sunday or public holidays) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours   |
| “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 Main Board of 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  |
| “Consideration Shares”                 | collectively the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche)  |
| “Consideration Shares (First Tranche)” | the 437,811,333 new Shares to be allotted and issued by the Company at the Issue Price (First Tranche) to the Vendors (or their respective nominee(s)) in accordance with the terms of the Agreement as part of the consideration for the Possible Acquisition |

|   |  |
|---|--|
| “Consideration Shares (Second Tranche)” | 145,937,111 new Shares to be allotted and issued by the Company at the Issue Price (Second Tranche) to the Vendors (or their respective nominee(s)) in accordance with the terms of the Agreement as part of the consideration for the Possible Acquisition  |
| “Director(s)”                           | director(s) of the Company   |
| “EGM”                                   | the extraordinary general meeting of the Company to be held and convened for the purpose of approving the Possible Acquisition and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Consideration Shares  |
| “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   |
| “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 |
| “Issue Price (First Tranche)”           | HK\$0.146 per Consideration Share (First Tranche)  |
| “Issue Price (Second Tranche)”          | HK\$0.146 per Consideration Share (First Tranche)  |
| “Listing Committee”                     | the listing committee of the Stock Exchange for considering applications for listing and the granting of listing   |
| “Listing Rules”                         | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Possible Acquisition”                  | the acquisition of the Sale Capital and the transactions contemplated thereunder   |
| “PRC”                                   | the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC  |

|                  |   |
|------------------|---|
| “Property”       | the property in the course of developed by the Target in the Qiandao Lake, Hangzhou City, Zhejiang Province the PRC under the land use right certificate number 淳安國用2002字第352號 (Chun An Guo Yong 2002-352#)     |
| “Purchaser”      | China Water Real Property Limited (previously known as Head Fame Properties Limited), being a wholly owned subsidiary of the Company  |
| “Reorganisation” | the reorganisation to be conducted by the Target in relation to the transformation of the Target from a PRC domestic enterprise to a sin-foreign joint venture  |
| “Sale Capital”   | RMB18,000,000 in the registered and paid-up capital of the Target, representing 60% of the registered and paid-up capital of the Target   |
| “Second Vendor”  | 周秋羊 (Zhou Qiuyang#), a PRC citizen and the beneficial owner of 33% equity interests of the Target   |
| “Share(s)”       | the ordinary share(s) of HK\$0.01 each in the share capital of the Company  |
| “Shareholder(s)” | the holder(s) of the Share(s)   |
| “sq m”           | square metre(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   |
| “Top-up Placing” | the top-up placing and subscription of up to 1,386,000,000 Shares as announced in the announcement of the Company dated 31 March 2010   |
| “Vendors”        | collectively 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  |

# 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 = RMB0.88 for illustration purposes.*

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

Hong Kong, 1 April 2010

*As at the date of this announcement, the Board comprises Mr. But Ka Wai (Chairman), Ms. Wang Wenxia (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.*