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中國植物開發控股有限公司
CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED
(to be renamed as “China Water Property Group Limited”)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2349)

MAJOR TRANSACTION

Major Transaction

The Board announces that on 19 October 2009, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor pursuant to which the Vendor will sell and the Purchaser will acquire the Sale Share and the Sale Loan, representing the entire equity interests of the BVI Subsidiary.

The Possible Acquisition is subject to the satisfaction of the conditions as set out in the paragraph headed “Conditions precedent” below.

The Possible Acquisition constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. A circular containing, among other matters, further details of the Possible Acquisition and notice of the EGM, will be despatched to the Shareholders as soon as practicable and in compliance with the Listing Rules.

Resumption of trading

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 20 October 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 30 October 2009.

The Company is pleased to announce that on 19 October 2009, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor in relation to the Possible Acquisition. The entering into of the Agreement constitutes a major transaction on the part of the Company and is subject to the Shareholders' approval.

THE AGREEMENT

Date:

19 October 2009

Parties:

The Purchaser as the purchaser of the Sale Share and the Sale Loan

The Vendor as the vendor for the Sale Share and the Sale Loan and is wholly owned by the Guarantor

The Guarantor as the guarantor for guaranteeing the performance of the Vendor under the terms of the Agreement

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and the Guarantor is an Independent Third Party and as at the date of this announcement, each of the Vendor and the Guarantor 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 Vendor is a company incorporated in the British Virgin Islands on 29 September 2009 and is principally engaged in investment holdings. As at the date of this announcement, the Vendor does not hold any significant assets or investments other than its interests in the BVI Subsidiary. The Guarantor is a merchant and the ultimate beneficial owner of the Vendor.

The Vendor intends to hold the Consideration Shares for investment purpose and has no intention to nominate or appoint directors to the Board of Company. The Agreement does not confer any rights to the Vendor to nominate or appoint directors to the Board of Company.

Assets to be acquired

Pursuant to the Agreement, it was agreed that (i) the Purchaser will acquire and the Vendor shall sell the Sale Share and the Sale Loan. The Sale Share and the Sale Loan represents the entire equity interests of the BVI Subsidiary and upon completion of the Reorganisation, the Target Company will become a wholly owned subsidiary of the BVI Subsidiary.

As at the date of this announcement, there is no Sale Loan owed by the BVI Subsidiary to the Vendor although it is expected that the Sale Loan amount as a result of the Reorganisation will be approximately RMB50,000,000 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 Share and the Sale Loan subject to the Reorganisation.

After Completion, the Purchaser shall be effectively interested in the entire registered capital of the Target Company.

Consideration

The total consideration for the Possible Acquisition is RMB200,000,000 (equivalent to approximately HK\$227,272,727) 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 RMB10,000,000 (equivalent to approximately HK\$11,363,636) has been paid in cash by the Purchaser to the Vendor within five Business Days following signing of the Agreement;
- (ii) as to RMB50,000,000 (equivalent to approximately HK\$56,818,181) shall be payable by way of cash by the Purchaser to the Vendor at Completion;
- (iii) as to RMB105,000,000 (equivalent to approximately HK\$119,318,181) shall be payable by the Purchaser by procuring the Company to issue and allot the Consideration Shares (First Tranche) at the Issue Price (First Tranche) to the Vendor (or its nominee) at Completion; and
- (iv) the remaining balance of RMB35,000,000 (equivalent to approximately HK\$39,772,727) shall be payable at the discretion of the Purchaser either (i) by way of cash; or (ii) by procuring the Company to issue and allot the Consideration Shares (Second Tranche) at the Issue Price (Second Tranche) to the Vendor (or its nominee) on the date falling five 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 Issue Price (Second Tranche) shall be determined as the higher of either (i) average closing price for the last ten consecutive trading days prior to the Second Tranche Date (including the Second Tranche Date) or (ii) HK\$0.10 per Consideration Share.

The Purchaser will elect to settle the remaining balance of the consideration of RMB35,000,000 in either cash or Consideration Shares (Second Tranche) depending on the financial position of the Group as at the Second Tranche Date. If the Group has surplus cash exceeding its working capital needs as at that time, the Purchaser may elect to settle the same in cash. Otherwise, if the Group needs to preserve its cash reserves as a result of the property development projects of the Group, the Purchaser will elect to settle the same in Consideration Shares. It is not provided in the Agreement that the remaining balance of consideration will be settled partly in cash and Consideration Shares.

The consideration for the Sale Share and the Sale Loan 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, CB Richard Ellis. The preliminary valuation of the Property will amount to approximately RMB280,000,000. The funding for the cash consideration will be from the internal resources of the Group. The valuation report on the Property shall be included in the circular to be despatched to the Shareholders.

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

In the event that either party, without contractual or lawful cause, violates the Agreement, the defaulting party shall be required to pay the complying party 10% of total consideration as default penalty.

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 Vendor 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 Vendor;

3. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
4. 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 Company 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 BVI subsidiary and the Target Company.

None of the above conditions can be waived by the parties to the Agreement. If the conditions are not fulfilled on or before 31 December 2009 (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 such later date as may be agreed between the parties thereto.

The Reorganisation

The Reorganisation shall involve the acquisition of the entire equity interests of the Target Company by the BVI Subsidiary such that the Target Company will become a wholly foreign-owned enterprise (WFOE) wholly and beneficially owned by the BVI Subsidiary.

The Target Company is currently owned by an Independent Third Party and the consideration for the acquisition of the Target Company by the BVI Subsidiary shall be subject to the terms of the Reorganisation and is expected to be RMB50,000,000, being the registered capital of the Target Company. Since the consideration payable by the BVI Subsidiary does not take into account of the actual value of the Target Company or the Property, the Directors are of the view that it is not an appropriate comparable to the consideration payable by the Purchaser under the Agreement. It is expected that the consideration payable by the Company to acquire the Target Company directly would be not less than the consideration for the Acquisition.

The Company does not directly acquire the Target Company from its current owner since it is necessary to carry out the Reorganisation by applying to the relevant authorities such that the Target Company will become a WFOE prior to Completion of the Acquisition. As part of conditions precedent in the Agreement, the Reorganisation will be carried out by the Vendor who will undertake the risks in obtaining all the approvals for the Reorganisation from the relevant regulatory bodies in the PRC. There are potential risks that such approvals may not be granted by the relevant regulatory authorities. As such, the Company considers that the current structure can reduce the costs and time of the Group.

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

THE CONSIDERATION SHARES

The 846,228,234 Consideration Shares (First Tranche) will be issued at an Issue Price (First Tranche) of HK\$0.141 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 (First Tranche) represents:

- (i) a discount of approximately 4.08% to the closing price of HK\$0.147 per Share as quoted on the Stock Exchange on 19 October 2009, being the last trading day immediately prior to the entering into of the Agreement;
- (ii) a premium of approximately 2.92% over the average of the closing prices of approximately HK\$0.137 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 19 October 2009, being the last trading day immediately prior to the entering into of the Agreement; and
- (iii) being the average of the closing prices of approximately HK\$0.141 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 19 October 2009, being the last trading day immediately prior to the entering into 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 Completion and the Second Tranche Date respectively for the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche) respectively.

The Consideration Shares (First Tranche) represent approximately 12.21% of the existing issued share capital of the Company and approximately 10.88% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (First Tranche).

Since the Consideration Shares (Second Tranche) will only be issued on the Second Tranche Date, which will be five months after Completion, in order to ascertain the maximum number of the Consideration Shares (Second Tranche), the Purchaser and the Vendor agreed to set a minimum price of HK\$0.10 per Share as the Issue Price for the Consideration Shares (Second Tranche). As both the Purchaser and the Vendor concerns on the number of Consideration Shares (Second Tranche) to be issued and allotted on the Second Tranche Date, which can vary depending on the movement of future market price per Share rather than the current market price, the minimum Issue Price of HK\$0.10 per Consideration Share (Second Tranche) is accordingly determined after arm's length negotiations between the parties to the Agreement as the identified equilibrium.

Since the Issue Price (Second Tranche) will be determined with reference to the market prices and there is a limitation on the minimum Issue Price (Second Tranche), the Directors is of the view that the Issue Price (Second Tranche) is fair and reasonable.

The Vendor undertakes to the Purchaser that it will not, within the period commencing on the date of Completion and ending on the date falling 6 months after 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. The Vendor undertakes to the Purchaser that it will not, within the period commencing on the date of Completion and ending on the date falling 9 months after 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 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 (on the assumption that the Consideration Shares (Second Tranche) will be allotted and issued at the minimum Issue Price of HK\$0.10 per Share) are as follows:

Shareholders	Issued share capital as at the date of this announcement		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)	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>Percentage</i>	<i>No. of Shares</i>	<i>Percentage</i>	<i>No. of Shares</i>	<i>Percentage</i>
China Water Affairs Group Limited and its associates	1,984,706,172	28.63%	1,984,706,172	25.51%	1,984,706,172	24.27%
Mr. But Ka Wai and his associates (<i>Note 1</i>)	250,000,000	3.60%	250,000,000	3.21%	250,000,000	3.06%
The Vendor	–	–	846,228,234	10.88%	1,243,955,506	15.21%
Prime Investments Holdings Limited (<i>Note 2</i>)	481,339,994	6.94%	481,339,994	6.19%	481,339,994	5.87%
Public Shareholders	4,216,391,328	60.83%	4,216,391,328	54.21%	4,216,391,328	51.57%
Total	<u>6,932,437,494</u>	<u>100.00%</u>	<u>7,778,665,728</u>	<u>100%</u>	<u>8,176,393,000</u>	<u>100.00%</u>

Notes:

1. Mr. But Ka Wai is the Chairman and an executive Director of the Company.
2. Ms. Wang Wen Xia, the Vice Chairman and an executive Director of the Company, is also an executive director of Prime Investments Holdings Limited, a listed company in Hong Kong.

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Vendor is a company incorporated in British Virgin Islands and is principally engaged in investment holdings.

The BVI Subsidiary is a company incorporated in the British Virgin Islands and is principally engaged in investment holdings.

The Target Company is a company established in the PRC with a registered capital of RMB50,000,000 and is principally engaged in the provision of property development, property sales and property consultancy business. Upon the completion of Reorganisation, the Target Company shall be held as to 100% by the BVI Subsidiary. After completion of the Possible Acquisition, the Purchaser shall be effectively interested in the entire registered capital of the Target Company. The Target Company and its ultimate beneficial owners are Independent Third Parties.

The Target Company is holding the entire interest of the Property which is situated at North Luoshi Road in Hongshan District of Wuchang in Wuhan, Hubei, the PRC. The Property is currently under construction and is to be developed into a mixed-use commercial development comprising retail shops, offices and residential apartments. It is expected that the Property will be completed in stages during the course of 2010 and 2011. The existing site area and the planned total gross floor area of the Property are approximately 22,312.64 sq m and 147,315.50 sq m respectively.

To the best of the Directors' knowledge, the Target Company has been granted the land use rights certificates and the required construction works commencement permits of the project for the Property. The Property is under constructions by attaining approximately 20% completion as a whole and is to be developed in stages during the course of 2010 and 2011. The Vendor also contemplates that there is no legal difficulty for the Target Company to obtain pre-sale permit.

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

	For the year ended 31 December 2007	For the year ended 31 December 2008
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Unaudited)
Loss before taxation	990	1,380
Loss after taxation	990	1,380
Net asset value	19,008	17,628

After completion of the Possible Acquisition, the Target Company 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 Group is principally in the production and distribution of snack food and convenience frozen food products and in cultivation of seabuckthorn seedlings, manufacture, sales, research and development of seabuckthorn-related health products.

As stated in its interim report for the period ended 30 June 2009, the Company will diversify business strategies to property investment and development in the PRC. The Directors have been continuing in exploring suitable business opportunities to broaden the revenue base and to diversify its business scope of the Company. The Directors consider the Possible Acquisition an opportunity to engage in property development business in the PRC which would enhance the Shareholders' value in the long run. The Company considers that the Possible Acquisition represents an excellent opportunity of tap into the PRC property market.

In light of the growing potential of the Target Company, 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 major transaction on the part of the Company under Chapter 14 of the Listing Rules and the Possible Acquisition is subject to the approval of the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, no Shareholders have a material interest in the Possible Acquisition and are required to abstain from voting at the EGM. The Company will seek Shareholders' approval for the Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Consideration Shares at the EGM.

GENERAL

A circular containing, among other matters, further details of the Possible Acquisition and the notice of the EGM will be despatched to the Shareholders as soon as reasonably practicable and in compliance with the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of the Shares has been suspended on the Stock Exchange from 9:30 a.m. on 20 October 2009 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 30 October 2009.

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 19 October 2009 entered into amongst the Purchaser, the Vendor and the Guarantor
“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
“BVI Subsidiary”	Full Wealth Global Investments Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by the Vendor
“Company”	China Botanic Development Holdings Limited (to be renamed as “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
“Consideration Shares”	together the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche)
“Consideration Shares (First Tranche)”	the 846,228,234 new Shares to be allotted and issued by the Company at the Issue Price (First Tranche) to the Vendor (or its nominee) in accordance with the terms of the Agreement as part of the consideration for the Possible Acquisition
“Consideration Shares (Second Tranche)”	up to approximately 397,727,270 new Shares to be allotted and issued by the Company at the Issue Price (Second Tranche) to the Vendor (or its nominee) 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”	an extraordinary general meeting of the Company to be convened and held to approve, among other matters, the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Liu Kai, the guarantor guaranteeing for the performance of the Vendor under the terms of the Formal Agreement and the owner of the entire equity interests of the Vendor
“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\$0.141 per Consideration Share (First Tranche)
“Issue Price (Second Tranche)”	the higher of either (i) average closing price for the last ten consecutive trading days prior to the Second Tranche Date (including the Second Tranche Date) or (ii) HK\$0.10 per Consideration Share (Second Tranche)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Possible Acquisition”	the acquisition of the Sale Share and the Sale Loan and the transactions contemplated thereunder
“PRC”	the People’s Republic of China
“Property”	the property in the course of development by the Target Company in the Wuhan City, the PRC under the land use right certificate numbers 武國用2008第893號 (Wu Guo Yong 2008-893#) and 武國用2008第344號 (Wu Guo Yong 2008-344#) respectively
“Purchaser”	Mega Famous Investment Limited, being a wholly owned subsidiary of the Company
“Reorganisation”	the reorganisation to be conducted by the Target Company, details of which has been set out herein
“Sale Loan”	all obligation, indebtedness and liabilities due, owing or incurred by the BVI Subsidiary to the Vendor as at Completion, whether actual, contingent or deferred and irrespective whether or not the same is due and payable on Completion

“Sale Share”	the one (1) share of US\$1.00 in the issued share capital of the BVI Subsidiary, representing the entire issued share capital of the BVI Subsidiary
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq m”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	湖北阜城房地產開發有限公司 (Hubei Fucheng Property Development Limited [#]), a company established in the PRC and the owner of the Property
“Target Group”	together the BVI Subsidiaries and its subsidiaries
“Vendor”	Highest Growth Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 100% by the Guarantor
“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 Botanic Development Holdings Limited
But Ka Wai
Chairman

Hong Kong, 29 October 2009

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.