

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**(1) MAJOR AND CONNECTED TRANSACTION
FOR DISPOSAL OF 50% EQUITY INTEREST OF
CONSECO SEABUCKTHORN CO., LTD.;
AND
(2) TERMINATION OF THE AGREEMENT
REGARDING SALE AND PURCHASE OF
ACQUISITION OF 10% EQUITY INTEREST OF
CONSECO SEABUCKTHORN CO., LTD.**

(1) THE SALE AND PURCHASE AGREEMENT

On 21 July 2010, the Vendor entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Interests for the Consideration of RMB24,430,000 (equivalent to approximately HK\$27,761,000).

The Consideration shall be settled by the Purchaser in the following manner:
(a) RMB10,000,000 (equivalent to approximately HK\$11,363,000) shall be paid by the Purchaser in cash within ten days after the date of the Sale and Purchase Agreement as Deposit;
and (b) the balance of RMB14,430,000 (equivalent to approximately HK\$16,398,000) shall be paid by the Purchaser in cash upon the earlier of (i) within 30 days upon obtaining necessary approval from the relevant PRC authority; or (ii) within six months after the date of the Sale and Purchase Agreement.

(2) TERMINATION OF AGREEMENT

Reference is made to the announcement and the circular of the Company dated 11 December 2007 and 31 December 2007 respectively. On 6 December 2007, Top Harbour, a wholly-owned subsidiary of the Company, and the 10% Vendor had entered into the 10% Agreement, pursuant to which Top Harbour had conditionally agreed to acquire from the 10% Vendor its interests in the Target, representing 10% of the then total equity of the Target, for an aggregate consideration of HK\$40,000,000. The consideration shall be satisfied by Top Harbour procuring the Company to allot and issue the 33,057,852 new Shares to the 10% Vendor, credited as fully paid, at the issue price of HK\$1.21 per new Share.

Since one of the conditions could not be fulfilled, the parties to the 10% Agreement have agreed to terminate the 10% Agreement and no party thereto shall have any obligations and liabilities towards each other save for antecedent breaches.

GENERAL

The Disposal constitutes a major and connected transaction on the part of the Company under Chapters 14 and 14A of the Listing Rules. The Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the Independent Shareholders' approval at the EGM by way of poll.

The IBC, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Disposal. An IFA will be appointed to advise the IBC and the Independent Shareholders in respect of the Disposal.

A circular containing, among other matters, details of the Disposal, the letter of advice from the IFA to the IBC and the Independent Shareholders, the recommendation of the IBC to the Independent Shareholders together with the notice of EGM, is expected to be despatched to the Shareholders on or before 11 August 2010.

(1) THE SALE AND PURCHASE AGREEMENT

Date: 21 July 2010 (after trading hours)

Parties: (1) Vendor : China Environmental Water Holdings Limited, a wholly-owned subsidiary of the Group

(2) Purchaser : 山合林(北京)水土保持技術有限公司 (Shan He Lin (Beijing) Water and Soil Conservation Technique Co., Limited*)

The Purchaser is principally engaged in provision of evaluation services on the quality of water and soil conservation projects and facilities established in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is wholly owned by 北京山合林水環境規劃設計中心 (Beijing Shan He Lin Water Environment Planning & Design Centre*), which owns 22% equity interest in the Target as at the date of this announcement, being a substantial shareholder of the Target. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction on the part of the Company.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Interests, representing 50% of the entire equity interest of the Target.

Consideration

The Consideration of RMB24,430,000 (equivalent to approximately HK\$27,761,000) shall be satisfied by the Purchaser in the following manner.

- (a) RMB10,000,000 (equivalent to approximately HK\$11,363,000) shall be paid by the Purchaser in cash within ten days after the date of the Sale and Purchase Agreement as Deposit; and
- (b) the balance of RMB14,430,000 (equivalent to approximately HK\$16,398,000) shall be paid by the Purchaser in cash upon the earlier of (i) within 30 days upon obtaining necessary approval from the relevant PRC authority; or (ii) within six months after the date of the Sale and Purchase Agreement.

The Consideration was agreed between the Vendor and the Purchaser after arm's length negotiations with reference to the unaudited consolidated net asset value of the Target Group attributable to the Group of approximately HK\$35.9 million as at 31 May 2010, having considered the prevailing commercial and business conditions in which the Target Group operates. As such, the Directors (excluding the independent non-executive Directors who will form their view after considering the advice of the IFA) consider that the Consideration is fair and reasonable.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) the passing by the Independent Shareholders at the EGM to be convened and held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) all necessary consents, authorisations, licenses and approvals required to be obtained on the part of the Vendor in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained; and
- (c) all necessary consents, authorisations, licenses and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained.

All of the conditions are not waivable under the Sale and Purchase Agreement. If the conditions have not been satisfied on or before 31 October 2010, or such later date as the Vendor and the Purchaser may agree in writing, the Sale and Purchase Agreement shall cease and terminate, the Vendor shall refund the Deposit (without interest) to the Purchaser, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

If the Purchaser delays in payment of the Consideration or any part thereof as stated above, it is liable for a delay payment of 5% of the outstanding amount per annum.

Completion

Completion shall take place on the date falling three Business Days after the fulfilment of the conditions or such later date as may be agreed between the Vendor and the Purchaser.

After the Completion, the Target Group will cease to be subsidiaries of the Company.

INFORMATION ON THE TARGET

The Target is a sino-foreign equity joint venture established under the laws of the PRC, whose equity interest is held as to 50% by the Vendor, 22% by 北京山合林水環境規劃設計中心 (Beijing Shan He Lin Water Environment Planning & Design Centre*), 10% by the 10% Vendor and 18% by 水利部沙棘開發管理中心 (China National Administration Centre for Seabuckthorn Development*). The Target and its subsidiaries are principally engaged in the cultivation and sale of seabuckthorn seedlings, and processing, development, manufacturing and sale of seabuckthorn related food and health products and cosmetic products in the PRC, Hong Kong and other overseas markets.

As at 31 December 2009 and 31 May 2010, the consolidated net asset value of the Target Group attributable to the Group was approximately HK\$39,017,000 and HK\$35,915,000, respectively. The consolidated net loss (both before and after taxation) of the Target Group for the two years ended 31 December 2008 and 2009 are as follows:

	For the year ended 31 December	
	2009	2008
	(audited)	(audited)
	HK\$'000	HK\$'000
Net loss before tax	(30,545)	(63,606)
Net loss after tax	(30,573)	(63,703)

The gain arising from the Disposal is estimated to be approximately HK\$38,000, being the difference between (i) the Consideration; (ii) the unaudited net assets value of the Target Group attributable to the Group and the translation reserve of approximately HK\$9,191,000 to be realised as at 31 May 2010; and (iii) the relevant transaction costs in respect of the Disposal.

REASONS FOR THE DISPOSAL

The Group is principally engaged in property development and investment in the PRC as well as packaged food and healthcare products business. The Group is pursuing a strategy to expand its exposure in the property development markets in the PRC.

Because of the substantial increase in the cultivating costs charged by peasants and peasants' specialty cooperative, together with the rise in the sales and administrative costs attributable to businesses set up to facilitate the Group's development in seabuckthorn and related business, the results of the seabuckthorn and related business changed from profit making in 2007 to loss making in 2008 and remained so in 2009. The seabuckthorn related business recorded net loss of approximately HK\$64 million and HK\$31 million for the year ended 31 December 2008 and 2009, respectively. In such circumstances, as disclosed in the interim report of the Company for the period ended 30 June 2009, the Group has implemented cost reduction plan to align its operations and resources to meet an increasingly competitive health care products and seabuckthorn related-products environment in order to help restore its capability and chart the path to profitable growth. Nevertheless, the seabuckthorn business did not show much improvement during the year ended 31 December 2009. Seabuckthorn cultivation decreased in 2009 primarily due to the reduction of cultivation works as a result of the change in basin geography. It is expected that the loss from the Target Group will exacerbate in the foreseeable future, and there will be a shortfall in the Group's previous estimate in the business prospects of the Target. The Directors consider that the revenue from the Target Group may not come on stream in short and medium term and the Group should take this opportunity to dispose of its interest in the Target so as to get access to immediate cash flows.

In addition, as stated in the 2009 annual report of the Company, the Company has diversified its business strategies to property investment and development in the PRC and has completed the acquisition of a company engaged in a property development project in Wuhan City, the PRC. Subsequent to the acquisition of the property development project in Wuhan, the Group has further entered into two sale and purchase agreements in relation to acquisitions of two property development projects in Hangzhou, the PRC.

With regard to the above, the Board considers it is in the interests of the Company to divest the seabuckthorn business without incurring further losses and re-allocate the internal resources to develop other more promising business in property investment and development in the PRC.

The estimated net proceeds receivable by the Group for the Disposal will amount to approximately RMB23,550,000 (equivalent to approximately HK\$26,761,000). The Directors intend to utilise the net proceeds from the Disposal as general working capital and as funds for future development of the Group when investment opportunities arise.

The Directors consider that the Disposal represents a good opportunity for the Group to exit its investment in the Target and to strengthen the financial position of the Group. Taking into account the aforesaid reasons, the Board (excluding the independent non-executive Directors who will form their

view after considering the advice of the IFA) is of the view that the terms of the Disposal are fair and reasonable and on normal commercial terms, and the Disposal is in the interests of the Company and the Shareholders as a whole.

(2) TERMINATION OF AGREEMENT

Reference is made to the announcement and the circular of the Company dated 11 December 2007 and 31 December 2007 respectively. On 6 December 2007, Top Harbour, a wholly-owned subsidiary of the Company, and the 10% Vendor had entered into the 10% Agreement, pursuant to which Top Harbour had conditionally agreed to acquire from the 10% Vendor of its interests in the Target, representing the then total equity interests of the Target, for an aggregate consideration of HK\$40,000,000. The consideration to be satisfied by Top Harbour procuring the Company to allot and issue the 33,057,852 new Shares to the 10% Vendor, credited as fully paid, at the issue price of HK\$1.21 per new Share.

Since one of the conditions cannot be fulfilled, the parties to the 10% Agreement have agreed to terminate the 10% Agreement and no party thereto shall have any obligations and liabilities towards each other save for antecedent breaches.

GENERAL

The Disposal constitutes a major and connected transaction on the part of the Company under Chapter 14 and 14A of the Listing Rules. Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the Independent Shareholders' approval at the EGM by way of poll.

To the best of the Directors' knowledge and information, the ultimate beneficial owner of the Purchaser is interested in 22% of the Target, a substantial shareholder of the Target. As such, the Purchaser is a connected person of the Company, and therefore the Purchaser and its associates shall abstain from voting in favour of the ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. As at the date of this announcement, the Purchaser does not have interest in any Shares.

A circular containing, among other matters, details of the Disposal, the letter of advice from the IFA to the IBC and the Independent Shareholders, the recommendation of the IBC to the Independent Shareholders together with the notice of EGM, is expected to be despatched to the Shareholders on or before 11 August 2010.

DEFINITIONS

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

“10% Agreement”	the sale and purchase agreement dated 6 December 2007 and entered into between the 10% Vendor and Top Harbour in relation to the acquisition of 10% equity interests in the Target by Top Harbour
“10% Vendor”	江海世紀投資管理(北京)有限公司 (Jiang Hai Century Investment Management (Beijing) Co., Ltd.*), a company established in the PRC, interested in 10% equity interests in the Target
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) 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 Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Interests in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	being RMB24,430,000 (equivalent to approximately HK\$27,761,000) payable by the Purchaser to the Vendor for the Disposal and to be satisfied in the manner as described in this announcement
“Deposit”	a deposit in the amount of RMB10,000,000 (equivalent to approximately HK\$11,363,000) to be paid by the Purchaser to the Vendor within 10 days after signing of the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Interests by the Vendor as contemplated under the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBC”	the independent Board committee comprising Mr. Chen Ziqiang and Ms. Li Ling, both being independent non-executive Directors, established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder
“IFA”	the independent financial advisers to the IBC and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Purchaser and its ultimate beneficial owner and who are connected or otherwise associated with the Purchaser (as the case may be)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	山合林(北京)水土保持技術有限公司 (Shan He Lin (Beijing) Water and Soil Conservation Technique Co., Limited*), a company established in the PRC, wholly-owned by 北京山合林水環境規劃設計中心 (Beijing Shan He Lin Water Environment Planning & Design Centre*) which owns 22% equity interest in the Target as at the date of this announcement
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 21 July 2010 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Interests
“Sale Interests”	50% equity interest in the Target
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target”	Conseco Seabuckthorn Co., Ltd, a sino-foreign equity joint venture established under the laws of the PRC, whose equity interest is held as to 50% by the Vendor, 22% by 北京山合林水環境規劃設計中心 (Beijing Shan He Lin Water Environment Planning & Design Centre*), the ultimate beneficial owner of the Purchaser, 10% by the 10% Vendor and 18% by 水利部沙棘開發管理中心 (China National Administration Centre for Seabuckthorn Development*) as at the date of this announcement
“Target Group”	together the Target and its subsidiaries
“Top Harbour”	Top Harbour Development Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“Vendor”	China Environmental Water Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *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 translations of such Chinese names or words.*

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.88. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at the above rate or any other rates or at all.

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

Hong Kong, 21 July 2010

As at the date of this announcement, the Board comprises Mr. But Ka Wai (Chairman), Ms. Wang Wenxia (Vice Chairman) and Mr. Ren Qian as executive Directors, Mr. Zhou Kun as non-executive Director and Mr. Chen Ziqiang, and Ms. Li Ling as independent non-executive Directors.