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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)**

- (1) PROPOSED SHARE CONSOLIDATION;**  
**(2) PROPOSED OPEN OFFER IN THE PROPORTION OF TWO OFFER SHARES FOR EVERY FIVE CONSOLIDATED SHARES HELD ON THE RECORD DATE;**  
**(3) CONNECTED TRANSACTION: SET OFF OF LOAN;**  
**(4) APPLICATION FOR WHITEWASH WAIVER;**  
**AND**  
**(5) RESUMPTION OF TRADING**

**PROPOSED SHARE CONSOLIDATION**

The Board proposes that every ten (10) Shares of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one Consolidated Share of HK\$0.10 each in the issued and unissued share capital of the Company. As at the date of this announcement, there were 12,562,306,151 Shares of HK\$0.01 each in issue and fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this announcement up to the date of the EGM, there will be 1,256,230,615 Consolidated Shares of HK\$0.10 each in issue and fully paid or credited as fully paid following the Share Consolidation.

The Consolidated Shares will be traded in board lots of 4,000 Consolidated Shares. Based on the closing price of HK\$0.111 per Existing Share on the trading day immediately before the date of this announcement, the value of each board lot of the Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$4,440.

**PROPOSED OPEN OFFER**

The Board proposes to raise not less than approximately HK\$250 million before expenses by issuing 502,492,246 Offer Shares at the Subscription Price of HK\$0.50 per Offer Share on the basis of two (2) Offer Shares for every five (5) Consolidated Shares held on the Record Date.

The number of Offer Shares to be issued pursuant to the terms of the Open Offer represents 40% of the Company's existing issued share capital and approximately 28.57% of the Company's issued share capital as enlarged by the issue of the Offer Shares.

To qualify for the Open Offer, Shareholders must be registered as members of the Company on the Record Date and must not be a Prohibited Shareholder. In order to be registered as a member of the Company on the Record Date, any transfer of Shares (together with the relevant share certificates) must be lodged for registration with the Registrar on or before 16 September 2011, being the Latest Lodging Date. The register of members for the Shares will be closed from 19 September 2011 to 21 September 2011, both dates inclusive.

Pursuant to the Underwriting Agreement, China Water and the Company have agreed that the aggregate Subscription Price required to be paid by China Water and its associates under its underwriting obligation of the Underwriting Agreement and the Open Offer will be settled by way of firstly the Set Off against the Loan and after the Set Off of the Loan in full, by cash. The Set Off will constitute a connected transaction on the part of the Company.

**The Open Offer is subject to the satisfaction of certain conditions as described under the section headed "Conditions of the Open Offer". In particular, it is subject to the Underwriter not terminating the Underwriting Agreement (see the section headed "Termination of the Underwriting Agreement" below) prior to 4:00 p.m. on the third Business Day following the Latest Acceptance Date. Accordingly, the Open Offer may or may not become unconditional and may or may not proceed. Investors' attention is drawn to the section headed "WARNING OF THE RISK OF DEALING IN SHARES" below.**

**Shareholders and potential investors of the Company are advised to exercise caution when dealings in the Shares and the Offer Shares up to the date when the conditions of the Open Offer are fulfilled.**

#### **WHITEWASH WAIVER**

In the event that upon completion of the Open Offer, the taking up of (i) the Offer Shares to which China Water and its concert parties are entitled under the Open Offer, and (ii) the Underwritten Shares would result in the aggregate shareholdings of China Water and its concert parties in the Company being increased from approximately 28.88% to approximately 49.20% and would therefore give rise to a mandatory offer obligation on the part of China Water under Rule 26 of the Takeovers Code unless the Whitewash Waiver is obtained.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, which the Underwriter and the parties acting in concert with it and those who are involved in or interested in the Open Offer, the Whitewash Waiver, the Set Off and the Underwriting Agreement will abstain from voting on the relevant resolutions. It is a condition precedent to the completion of the Open Offer that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

## **CONNECTED TRANSACTION**

As at the date of this announcement, China Water and its concert parties in aggregate hold approximately 28.88% of the issued share capital of the Company and therefore China Water is a connected person of the Company. The Set Off as contemplated under the Underwriting Agreement therefore constitutes connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The Set Off is subject to the reporting and announcement requirements and the approval of the Independent Shareholders at the EGM under the Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 29 July 2011 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 8 August 2011.

## **PROPOSED SHARE CONSOLIDATION**

The Board proposes that every ten (10) Existing Shares of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.10 each in the issued and unissued share capital of the Company. As at the date of this announcement, there were 12,562,306,151 Shares of HK\$0.01 each in issue and fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this announcement up to the date of the EGM, there will be 1,256,230,615 Consolidated Shares of HK\$0.10 each in issue and fully paid or credited as fully paid following the Share Consolidation. The authorised share capital of the Company will remain at HK\$500,000,000 divided into 5,000,000,000 Consolidated Shares of HK\$0.10 each.

The implementation of the Share Consolidation is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares. All necessary arrangements will be made for the Consolidated Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.

The Consolidated Shares will be traded in board lots of 4,000 Consolidated Shares. Based on the closing price of HK\$0.111 per Existing Share on the trading day immediately before the date of this announcement, the value of each board lot of the Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$4,440.

## **Status of the Consolidated Shares**

The Consolidated Shares will rank pari passu in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders. Fractional Consolidated Shares will not be issued by the Company to Shareholders. Any fractional entitlement to the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company. In order to alleviate the difficulties arising from the existence of odd lots of Consolidated Shares, the Company has agreed to procure an agent to arrange for matching service regarding the sale and purchase of odd lots of Consolidated Shares from 14 September 2011 to 19 October 2011 (both days inclusive). Shareholders should note that matching of the sale and purchase of odd lots of Consolidated Shares is not guaranteed. Further details in respect of the odd lots trading arrangement will be set out in the circular to be despatched to the Shareholders.

## **Reasons for the Share Consolidation**

The proposed Share Consolidation will increase the nominal value of the Shares and reduce the total number of Shares currently in issue. As such, the transaction and handling costs of the Company in relation to the dealing in the Consolidated Shares are expected to be reduced, which will be beneficial to the Company. Moreover, as the market value of each board lot upon the Share Consolidation becoming effective will be higher than the market value of each existing board lot, the transaction cost as a proportion of the market value of each board lot will be lower. It is expected that the liquidity in trading of the Shares will increase accordingly and the market value of the Shares will be more precisely reflect the intrinsic value of the Company. Accordingly, the Board is of the view that the Share Consolidation is beneficial to the Company and Shareholders as a whole.

Other than the expenses to be incurred by the Company in relation to the Share Consolidation, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the interests of Shareholders as a whole.

## **Exchange of Share Certificate**

Subject to the Share Consolidation becoming effective, which is currently expected to be 14 September 2011, being the business day immediately after the date of the EGM, Shareholders may on or after 14 September 2011 and until 19 October 2011 (both days inclusive), submit their share certificates in yellow brown for Shares to the Registrar for exchange for share certificates in golden yellow for the Consolidated Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for exchange of share certificates.

With effect from 20 October 2011, trading will only be in Consolidated Shares. Share certificates in yellow brown for the Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

## PROPOSED OPEN OFFER

The Board proposes to raise not less than approximately HK\$250 million before expenses by issuing 502,492,246 Offer Shares at the Subscription Price of HK\$0.50 per Offer Share on the basis of two (2) Offer Shares for every five (5) Consolidated Shares held on the Record Date.

### Issue statistics

Basis of the Open Offer:	Two (2) Offer Shares for every five (5) Consolidated Shares held on the Record Date.
Number of Shares in issue:	12,562,306,151 Existing Shares (equivalent to 1,256,230,615 Consolidated Shares) as at the date of this announcement
Number of outstanding Share Options:	244,752,000 Share Options to subscribe for an aggregate of 244,752,000 Existing Shares (equivalent to 24,475,200 Consolidated Shares) as at the date of this announcement, as to 122,376,000 Share Options are held by Mr. Duan.
Number of Offer Shares:	502,492,246 Offer Shares.
Number of Offer Shares undertaken to be taken up by China Water and its associates:	Pursuant to the Underwriting Agreement, China Water has given the irrevocable China Water Undertaking in favour of the Company that (a) to subscribe for or procure subscriptions for: (i) 31,508,247 Offer Shares to which China Water is entitled under the Open Offer; (ii) 64,532,373 Offer Shares and 47,880,000 Offer Shares to which each of Good Outlook and Sharp Profit is entitled under the Open Offer respectively; and (iii) 1,202,265 Offer Shares to which Mr. Duan is entitled under the Open Offer; and (b) to procure (i) Good Outlook not to convert the Convertible Bonds prior to the completion of the Open Offer; and (ii) Mr. Duan not to exercise the Share Options held by him prior to the Completion of the Open Offer.
Number of Offer Shares underwritten by the Underwriter:	Pursuant to the Underwriting Agreement, China Water has conditional agreed to underwrite 357,369,361 Offer Shares (other than the Offer Shares undertaken to be taken up by China Water and its concert parties under the China Water Undertaking), on the terms and subject to the conditions set out in the Underwriting Agreement. The Open Offer (other than the Offer Shares undertaken to be taken up by China Water and its concert parties under the China Water Undertaking) will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement.

Of the 244,752,000 Share Options mentioned above, 122,376,000 Share Options are being held by Mr. Duan and the other 122,376,000 Share Options are being held by Ms. Wang Wenxia, the Vice Chairman and Chief Executive Officer of the Company under the share option scheme adopted by the Company. Ms. Wang Wenxia has given an irrevocable undertaking to confirm that she will not exercise any of the Share Options held by her on or before the Record Date.

Good Outlook, a wholly owned subsidiary of China Water, is the holder of the Convertible Bonds with outstanding principal amount of HK\$81,550,000, which is convertible into 1,812,222,222 Shares at the existing conversion price of HK\$0.045 per Share. Under the China Water Undertaking, China Water has undertaken it will procure that the Convertible Bonds will not be converted into Shares prior to the completion of the Open Offer.

Save for the Share Options and the Convertible Bonds mentioned above, there are no outstanding warrants or share options or securities or derivatives that are convertible or exchangeable into Shares or confer any right to subscribe for Shares as at the date of this announcement.

### **Subscription Price**

The Subscription Price for the Offer Shares is HK\$0.50 per Offer Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Open Offer.

The Subscription Price represents:

- (i) a discount of approximately 54.95% to the closing price of HK\$1.11 per Consolidated Share (assuming that the Share Consolidation has become effective) as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 55.91% to the average closing price of HK\$1.134 per Consolidated Share (assuming that the Share Consolidation has become effective) as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Date; and
- (iii) a discount of approximately 46.58% to the theoretical price of approximately HK\$0.936 per Consolidated Share (assuming that the Share Consolidation has become effective) based on the closing price of HK\$1.11 per Consolidated Share (assuming that the Share Consolidation has become effective) as quoted on the Stock Exchange on the Last Trading Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares and the financial requirements of the Company. The Group needs additional funds to finance its operations and business activities, in particular its property projects in the PRC. In view of the recent financial conditions of the Group as mentioned above and taking into consideration of the theoretical price per Share, in order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (excluding the non-executive Directors and the independent non-executive Directors who will give their view after taking into consideration of the advices of independent financial adviser) consider that the proposed discount of the Subscription Price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (excluding the non-executive Directors and the independent non-executive Directors who will give their view after taking into consideration of the advices of independent financial adviser) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Conditions of the Open Offer

The Open Offer is conditional upon the following conditions being fulfilled:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the date on which the prospectus for the Open Offer is despatched;
- (b) the passing by the Independent Shareholders (or, where appropriate, Shareholders) at the relevant EGM of ordinary resolutions to approve the lack of excess application arrangement in the Open Offer and the Whitewash Waiver by no later than the date on which the prospectus for the Open Offer is despatched;
- (c) the posting of the Prospectus Documents for the Open Offer to the Qualifying Shareholders of the Company and the posting of the prospectus for the Open Offer and a letter in the agreed form to the Prohibited Shareholders as defined in the Underwriting Agreement, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the prospectus for the Open Offer is despatched;
- (d) the Executive Director of the Securities and Futures Commission or his delegate granting the Whitewash Waiver to China Water and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares by no later than the date on which the prospectus for the Open Offer is despatched;
- (f) if necessary, the passing by the Independent Shareholders at the relevant EGM of ordinary resolutions to approve the Set Off of the Loan;
- (g) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (h) compliance with and performance of all the undertakings and obligations of the China Water under the terms of the Underwriting Agreement and the China Water Undertaking; and
- (i) the Share Consolidation having become effective.

**If any of the conditions of the Open Offer are not fulfilled on or before 13 October 2011 (or such later time and/or date as the Company and the Underwriter may determine), neither the Company nor the Underwriter shall have any rights or be subject to any obligations arising from the Underwriting Agreement and the Open Offer will not proceed.**

## **Status of the Open Offer**

The Offer Shares, when allotted, issued and fully-paid, will rank pari passu with the Shares in issue in all respects. Holders of such Offer Shares will be entitled to receive full future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares. The Offer Shares will be traded in board lot of 4,000 Consolidated Shares which is the same as the board lot size for trading in Shares on the Stock Exchange.

## **Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to Qualifying Shareholders and (ii) the Prospectus with the Overseas Letter, for information only, to the Prohibited Shareholders.

To qualify for the Open Offer, the Shareholder must be registered as a member of the Company on the Record Date and must not be a Prohibited Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the Shares (with the relevant share certificate(s)) with the Registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on the Latest Lodging Date. Holders of Share Options who wish to participate in the Open Offer should exercise their Share Options in accordance with their respective terms no later than the Latest Lodging Date.

## **Closure of register of members**

The Company's register of members will be closed from 19 September 2011 to 21 September 2011, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Open Offer. No transfer of Shares will be registered during this period.

## **Rights of Overseas Shareholders and Prohibited Shareholders**

If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside of Hong Kong, that Shareholder may not be eligible to take part in the Open Offer. The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than in Hong Kong.

In compliance with Rule 13.36(2) of the Listing Rules, the Directors will make enquiries as to whether the issue of Offer Shares to the Overseas Shareholder may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders, no provisional allotment of Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders. The Company will disclose the results of the enquiry in the circular and/or the Prospectus regarding the legal restrictions on the issue and allotment of Offer Shares to the Overseas Shareholders.

The Prohibited Shareholders will be entitled to vote at the EGM to consider and, if thought fit, for the resolution(s) approving, among other things, the Whitewash Waiver.



### **Fractional entitlement to the Offer Shares**

Fractions of Offer Shares will not be allotted to Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of Offer Shares. Any Offer Shares created from the aggregation of fractions of Offer Shares will be taken up by the Underwriter.

### **No application for excess Offer Shares**

No excess Offer Shares will be offered to the Qualifying Shareholders and any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

### **Share certificates for the Offer Shares**

Subject to the fulfillment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Offer Shares on or before 19 October 2011 by ordinary post at their own risk.

### **Application for listing of the Offer Shares on the Stock Exchange**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

### **Reasons for the Open Offer and the use of proceeds**

The Group is principally engaged in property development and investment in the PRC, and production and distribution of snack food, convenient frozen food and other food products.

Upon the full subscription of the Offer Shares and assuming no further Shares have been allotted and issued from the date hereof to the Record Date, the Company will receive gross proceeds of approximately HK\$250 million. The Group needs additional funds to finance its operations and activities for expanding its businesses, in particular its property projects in the PRC. The net proceeds under the Open Offer are expected to amount to approximately HK\$138 million (after the Set Off of the Loan of HK\$112 million). The Company intends to use the net proceeds for property development and related business in the PRC.

The Directors have considered other alternative fund raising methods such as issue of new shares and bank borrowings and consider that the Open Offer has the benefits of allowing the Qualifying Shareholders to maintain their respective pro rata shareholdings if they take up their entitled Offer Shares and participate in the future growth of the Group.

The Directors (excluding the non-executive Directors and the independent non-executive Directors who will give their view after taking into consideration of the advices of the independent financial advisor) believe that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## UNDERWRITING ARRANGEMENT

### China Water Undertaking

Pursuant to the Underwriting Agreement, China Water has given the irrevocable China Water Undertaking in favour of the Company that (a) to subscribe for or procure subscriptions for: (i) 31,508,247 Offer Shares to which China Water is entitled under the Open Offer; (ii) 64,532,373 Offer Shares and 47,880,000 Offer Shares to which Good Outlook and Sharp Profit is entitled under the Open Offer respectively; and (iii) 1,202,265 Offer Shares to which Mr. Duan is entitled under the Open Offer; and (b) to procure (i) Good Outlook not to convert the Convertible Bonds prior to the completion of the Open Offer; and (ii) Mr. Duan not to exercise the Share Options held by him prior to the Completion of the Open Offer.

Save for the China Water Undertaking as disclosed above, the Board had not received any information or irrevocable undertakings from any substantial Shareholders of their intention to take up the securities of the Company to be offered to them under the Open Offer.

### Underwriting Agreement

Date: 28 July 2011

Underwriter: China Water

China Water is a listed company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which listed on the main board of the Stock Exchange.

China Water, together with Good Outlook, Sharp Profit and Mr. Duan, hold an aggregate of 3,628,072,138 Existing Shares (equivalent to approximately 362,807,213 Consolidated Shares), representing approximately 28.88% of the issued share capital of the Company.

Number of Offer Shares underwritten: Pursuant to the Underwriting Agreement, China Water as the underwriter has conditionally agreed to underwrite the Offer Shares (other than the Offer Shares agreed to be taken up under the China Water Undertaking) which have not been taken up. Accordingly, the Open Offer is fully underwritten.

Commission: No underwriting commission will be payable by the Company to the Underwriter under the Underwriting Agreement.

## **Termination of the Underwriting Agreement**

**If at any time, prior to 4:00 p.m. on the third Business Day following the Latest Acceptance Date:**

- (1) in the sole and absolute discretion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (5) the circular, prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the sole and absolute

opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares provisionally allotted to it,

The Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to 4:00 p.m. on the third Business Day **after the Latest Acceptance Date**, which is expected to be 13 October 2011, to terminate the Underwriting Agreement.

The Underwriting Agreement further contains provisions that the Underwriter may terminate its commitment under the Underwriting Agreement if prior to 4:00 p.m. on the third Business Day **following the Latest Acceptance Date**, which is expected to be 13 October 2011, there is:

- (a) any material breach of any of the warranties or undertakings under the Underwriting Agreement; or
- (b) any specified event described in the Underwriting Agreement comes to the knowledge of the Underwriter.

**If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Open Offer will not proceed.**

#### **CONNECTED TRANSACTION: THE SET OFF OF THE LOAN**

As at the date of this application, the Company is indebted to China Water the Loan in the sum of approximately HK\$112 million under three loan agreements. The Loan is unsecured, bearing an interest at 8% per annum and with a term of 6 months.

Pursuant to the Underwriting Agreement, China Water and the Company have agreed that the Subscription Price payable by China Water and its associates (other than Mr. Duan) for the Offer Shares to which each of them is entitled under the Open Offer and the Underwritten Shares would be by way of the Set Off against the Loan in first place and the remaining balance of the Subscription Price will be settled in cash. The exact amount of the Loan to be set off for such aggregate Subscription Price depends on the number of Offer Shares to be taken up by the Qualifying Shareholders. For the avoidance of doubt, the Subscription Price required to be paid by Mr. Duan shall be settled by himself in cash.

The completion of the Set Off is subject to the same conditions of the Open Offer. Completion of the Set Off shall take place simultaneously with the issue of the Offer Shares by the Company pursuant to the terms of the Open Offer.

#### **Reason for the Set Off**

The Directors consider that the Set Off will enable the Group to repay part or whole of the liabilities of the Company without cash outflow and will allow the Group to reduce its gearing level. The Directors accordingly consider that the Set Off is in the interests of the Company and the Shareholders as a whole.

#### **Implications under Listing Rules**

Since China Water and its concert parties are substantial Shareholders, the Set Off constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and requires the approval of the Independent Shareholders.

## WARNING OF THE RISK OF DEALING IN SHARES

The Open Offer is conditional upon the obligations of the Underwriter under the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Shareholders and potential investors should therefore exercise caution when dealing in Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

Shareholders should note that Shares will be dealt in on an ex-entitlement basis commencing from 15 September 2011 and that dealings in Shares will take place while the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled, will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

## CHANGES IN SHAREHOLDING STRUCTURE

The following is the shareholding structure of the Company immediately before and after completion of the Open Offer, assuming no Share Options have been exercised and no Convertible Bonds have been converted:

Shareholder	At the date of this announcement		Immediately after the Open Offer (assuming no Shareholder taking up any Offer Shares)		Immediately after the Open Offer (assuming that all Shareholders taking up their respective entitlements)	
	No. of Consolidated Shares assuming the Share Consolidation have been effective	Approximate percentage	No. of Consolidated Shares	Approximate percentage	No. of Consolidated Shares	Approximate percentage
<i>China Water and its concert parties</i>						
China Water ( <i>Note 1</i> )	78,770,617	6.27%	467,648,224	26.59%	110,278,864	6.27%
Good Outlook ( <i>Note 1</i> )	161,330,933	12.84%	225,863,306	12.84%	225,863,306	12.84%
Sharp Profit ( <i>Note 1</i> )	119,700,000	9.53%	167,580,000	9.53%	167,580,000	9.53%
Mr. Duan ( <i>Note 2</i> )	3,005,663	0.24%	4,207,929	0.24%	4,207,929	0.24%
<i>Subtotal</i>	362,807,213	28.88%	865,299,459	49.20%	507,930,099	28.88%
Other Shareholders	893,423,402	71.12%	893,423,402	50.80%	1,250,792,762	71.12%
Total	1,256,230,615	100%	1,758,722,861	100%	1,758,722,861	100%

### Notes

- Good Outlook and Sharp Profit are wholly-owned subsidiaries of China Water, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 855).
- Mr. Duan is the Chairman and non-executive Director of the Company and is also the chairman and executive director of China Water.

## EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is indicative only and it has been prepared on the assumption that the Whitewash Waiver and the Set Off will be approved by the Independent Shareholders at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

Despatch of Company's circular with notice of EGM . . . . .	26 August 2011
Latest time for lodging forms of proxy for the purpose of the EGM . . . . .	9:30 a.m. on 10 September 2011
EGM. . . . .	9:30 a.m. on 12 September 2011
Announcement of results of EGM to be published on the Stock Exchange website . . . . .	12 September 2011
Effective date of the Share Consolidation . . . . .	14 September 2011
Original counter for trading in Existing Shares in board lots of 4,000 Shares (in the form of existing share certificates in yellow brown) temporarily closes. . . . .	9:00 a.m. 14 September 2011
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates in yellow brown) opens . . . . .	9:00 a.m. 14 September 2011
First day of free exchange of existing share certificates. . . . .	14 September 2011
First day of operation of odd lot trading facility . . . . .	14 September 2011
Last day of dealings in Shares on a cum-entitlement basis. . . . .	14 September 2011
First day of dealings in Shares on an ex-entitlement basis. . . . .	15 September 2011
Latest time for lodging transfer of Shares in order to be qualified for the Open Offer . . . . .	4:00 p.m. on 16 September 2011
Register of members of the Company closed (both dates inclusive). . . . .	19 September 2011 to 21 September 2011 (both dates inclusive)

Record Date . . . . .	21 September 2011
Register of members of the Company re-opens . . . . .	22 September 2011
Despatch of the Prospectus Documents (in case of the Prohibited Shareholders, the Prospectus only) . . . . .	22 September 2011
Original counter for trading in Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of new share certificates in golden yellow) reopens . . . . .	9:00 a.m. 28 September 2011
Parallel trading in Consolidated Shares commences . . . . .	9:00 a.m. 28 September 2011
Latest time for acceptance of, and payment of Offer Shares. . . . .	4:00 p.m. on 10 October 2011
Latest time for the Open Offer to become unconditional (being the third Business Days following the Latest Acceptance Date). . . . .	4:00 p.m. on 13 October 2011
Announcement of results of acceptance of the Offer Shares to be published on the Stock Exchange . . . . .	.On or before 19 October 2011
Despatch of share certificates for Offer Shares. . . . .	.On or before 19 October 2011
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates in yellow brown) closes . . . . .	4:00 p.m. on 19 October 2011
Parallel trading ends . . . . .	4:00 p.m. on 19 October 2011
Last day of operation of odd lot trading facility . . . . .	19 October 2011
Dealings in Offer Shares commence . . . . .	9:00 a.m. on 21 October 2011
Latest time for free exchange of share certificates . . . . .	4:00 p.m. 21 October 2011

## **EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE DATE**

The Latest Acceptance Date will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 10 October 2011. Instead, the Latest Acceptance Date will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the Latest Acceptance Date is postponed in accordance with the foregoing, the dates mentioned in the section headed “EXPECTED TIMETABLE” in this announcement may be affected. An announcement will be made by the Company in such event.

## **ADJUSTMENTS IN RELATION TO THE SHARE OPTIONS AND THE CONVERTIBLE BONDS**

Up to the date of this announcement, 244,752,000 outstanding Share Options have been granted by the Company under the Share Option Scheme entitling the holders thereof to subscribe for up to an aggregate of 244,752,000 Existing Shares (equivalent to 24,475,200 Consolidated Shares).

Good Outlook, a wholly owned subsidiary of China Water, is the holder of the Convertible Bonds with outstanding principal amount of HK\$81,550,000, which is convertible into 1,812,222,222 Existing Shares at the existing conversion price of HK\$0.045 per Existing Share.

Subject to the confirmation of auditors, the issue of the Offer Shares may cause adjustments to the exercise price of the Share Options and the conversion price of the Convertible Bonds. The Company will instruct its auditors to review and certify the basis of such adjustments as soon as possible. Further announcement(s) will be made by the Company in respect of such adjustments as and when appropriate.

## **FUNDS RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has not performed any fund raising activities in the past twelve months from the date of this announcement.

## **WHITEWASH WAIVER**

Assuming no Shareholders had taken up any of the Offer Shares, the taking up of (i) the Offer Shares to which China Water and its concert parties are entitled under the Open Offer, and (ii) the Underwritten Shares would result in the aggregate shareholdings of China Water and its concert parties in the Company being increased from approximately 28.88% to approximately 49.20% and would therefore give rise to a mandatory offer obligation under Rule 26 of the Takeovers Code for the Underwriter to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already held by it and its concert parties unless the Whitewash Waiver is obtained.



As at the date of this announcement, the Underwriter and the parties acting in concert with it hold the following Shares, convertible securities, warrants or options of the Company:

- (a) China Water directly holds 787,706,172 Existing Shares (equivalent to approximately 78,770,617 Consolidated Shares), representing approximately 6.27% of the existing issued share capital of the Company;
- (b) Good Outlook, a wholly owned subsidiary of China Water, holds 1,613,309,332 Shares (equivalent to approximately 161,330,933 Consolidated Shares), representing approximately 12.84% of the existing issued share capital of the Company and is also holder of the Convertible Bonds issued by the Company with outstanding principal amount of HK\$81,550,000 convertible into 1,812,222,222 Existing Shares at the existing conversion price of HK\$0.045 per Existing Share;
- (c) Sharp Profit, a wholly owned subsidiary of China Water, holds 1,197,000,000 Shares (equivalent to approximately 119,700,000 Consolidated Shares), representing approximately 9.53% of the existing issued share capital of the Company; and
- (d) Mr. Duan is (i) the Chairman and non-executive Director of the Company; (ii) the chairman and executive director of China Water; (iii) the legal and beneficial owner of 30,056,634 Existing Shares (equivalent to approximately 3,005,663 Consolidated Shares), representing approximately 0.24% of the existing issued share capital of the Company and 122,376,000 share options granted under the share option scheme adopted by the Company; and (iv) the legal and beneficial owner of 322,874,301 shares of HK\$0.01 each in the share capital of China Water, representing about 20.30% of the issued share capital of China Water.

Save as disclosed above, the Underwriter and its parties acting in concert do not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement. Save as disclosed above, the Underwriter and its parties acting in concert do not own any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company.

Save for the exercise of 30,056,634 Share Options by Mr. Duan on 24 March 2011, the Underwriter and the parties acting in concert with it have not acquired any voting rights of the Company and have not dealt in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares of the Company in the six months prior to the date of this announcement. The exercise of the Share Option by Mr. Duan took place before any negotiations and discussions of the Open Offer, the Whitewash Waiver, the Underwriting Agreement and the Set Off as disclosed herein and the Company has obtained a confirmation from the Executive under paragraph 3a of Schedule VI of the Takeovers Code that the exercise of Share Options by Mr. Duan does not constitute disqualifying transaction for the purpose of the Whitewash Waiver.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, which the Underwriter and the parties acting in concert with it and those who are involved in and/or interested in the Open Offer, the Whitewash Waiver, the Underwriting Agreement and the Set Off will abstain from voting on the relevant resolution(s). It is a condition precedent to the completion of the Open Offer that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

The Directors (other than the independent non-executive Directors and the non-executive Directors) believe that the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors of the Company and the non-executive Directors will first take into consideration of the advices of the independent financial adviser before making recommendation as to the fairness and reasonableness of the Whitewash Waiver.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, China Water and its concert parties in aggregate hold approximately 28.88% of the issued share capital of the Company and therefore China Water is a connected person of the Company. The Set Off as contemplated under the Underwriting Agreement therefore constitutes connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The Set Off is subject to the reporting and announcement requirements and the approval of the Independent Shareholders at the EGM under the Listing Rules.

As the Proposed Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50%, the Open Offer is not subject to Shareholders' approval in accordance with Rule 7.24(5) of the Listing Rules. However, the absence of excess application and the alternative arrangement for the disposal of the Offer Shares not taken up under the Open Offer shall be specifically approved by the Independent Shareholders at the EGM by way of poll for the purpose of compliance with Rule 7.21 of the Listing Rules.

As China Water, being the Underwriter to the Open Offer, is deemed to have a material interest in the Open Offer and the Set Off, China Water and its concert parties and those who are involved in or interested in the Open Offer, the Whitewash Waiver and the Set Off will abstain from voting on the respective resolutions at the EGM for approving the Whitewash Waiver, the Set Off and the absence of excess application arrangement under the Open Offer. The voting at the EGM will be taken by way of poll.

## **GENERAL**

The Company will establish an independent board committee, which comprises all non-executive Directors and independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, to advise the Independent Shareholders as to whether the terms of the Underwriting Agreement, the Open Offer (including the absence of excess application arrangement under the Open Offer), the Whitewash Waiver and the Set Off are fair and reasonable and whether the Open Offer (including the absence of excess application arrangement under the Open Offer), the Whitewash Waiver, the Underwriting Agreement and the Set Off are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser.

In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Open Offer (including the absence of excess application arrangement under the Open Offer), the Whitewash Waiver, the Underwriting Agreement, and the Set Off are fair and reasonable and whether the Open Offer (including the absence of excess application arrangement under the Open Offer), the Whitewash Waiver, the Underwriting Agreement, and the Set Off are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote. Further announcement will be made by the Company when the independent financial adviser is appointed.

A circular including, among other things, details of (i) the Share Consolidation; (ii) the Open Offer (including the absence of excess application arrangement under the Open Offer), the Whitewash Waiver and the Set Off; (iii) the recommendation of the independent board committee in relation to the Open Offer (including the absence of excess application arrangement under the Open Offer), the Whitewash Waiver and the Set Off; (iv) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Open Offer (including the absence of excess application arrangement under the Open Offer), the Whitewash Waiver and the Set Off together with (v) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in compliance with Rule 8.2 of the Takeovers Code.

The Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions of the Open Offer being satisfied.

### **ADDITIONAL DISCLOSURE OF INTERESTS**

As at the date of this announcement, no persons had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Open Offer the Whitewash Waiver and the Set Off.

As at the date of this announcement, no arrangement of the kind referred to in Note 8 of Rule 22 of the Takeovers Code exists between China Water or parties acting in concert with it and any other person.

As at the date of this announcement, save for the Underwriting Agreement and the China Water Undertaking, there was no agreement, arrangement or undertaking between any of the Directors and any other person which is conditional or dependent on completion of or otherwise connected with the Open Offer (including the absence of excess application arrangement under the Open Offer), the Whitewash Waiver and the Set Off.

As at the date of this announcement, no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Underwriter and which might be material to the transactions contemplated under the Underwriting Agreement, the Open Offer and the Set Off or the Whitewash Waiver.

As at the date of this announcement, other than the Underwriting Agreement, there are no agreements or arrangements to which the Underwriter is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer, the Set Off and the transactions contemplated under the Underwriting Agreement, the Whitewash Waiver.

As at the date of this announcement, no Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company have been borrowed or lent by the Underwriter and parties acting in concert with it.

### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 29 July 2011 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 8 August 2011.

## DEFINITIONS

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

<b>“acting in concert”</b>	has the meaning ascribed thereto under the Takeovers Code
<b>“associates”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“Board”</b>	the board of Directors
<b>“Business Day”</b>	any day on which the Stock Exchange is open for the business in dealing securities
<b>“Chairman”</b>	The chairman of the Board
<b>“China Water” or “Underwriter”</b>	China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
<b>“China Water Undertaking”</b>	the irrevocable undertaking given by China Water pursuant to the Underwriting Agreement
<b>“Company”</b>	China Water Property Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
<b>“Consolidated Share(s)”</b>	whole ordinary share(s) of HK\$0.10 each in the share capital of the Company as a result of the Share Consolidation
<b>“Convertible Bonds”</b>	the convertible bonds with principal amount of HK\$81,550,000 convertible into 1,812,222,222 Shares with a conversion price of HK\$0.045 per Share, which is beneficially held by Good Outlook
<b>“Director(s)”</b>	the director(s) of the Company
<b>“EGM”</b>	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the absence of excess application arrangement under the Open Offer, the Whitewash Waiver and the Set Off
<b>“Existing Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
<b>“Executive”</b>	Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s)
<b>“Good Outlook”</b>	Good Outlook Investments Limited, a wholly owned subsidiary of China Water
<b>“Group”</b>	the Company and its subsidiaries
<b>“HKSCC”</b>	Hong Kong Securities Clearing Company Limited

<b>“Hong Kong”</b>	The Hong Kong Special Administrative Region of the PRC
<b>“Independent Shareholders”</b>	Shareholders other than China Water, its concert parties and those who are involved in or interested in the Open Offer, the Whitewash Waiver and the Set Off who are required by the Listing Rules and/or the Takeovers Code to abstain from voting in respect of the resolution(s) relating to the Open Offer, the Whitewash Waiver and the Set Off to approve the resolutions at the EGM
<b>“Latest Acceptance Date”</b>	being 4:00 p.m. 10 October 2011 or such other date and/or time as the Underwriter and the Company may agree as the latest date for acceptance and payment in respect of provisional allotments and applications for excess under the Open Offer
<b>“Latest Lodging Date”</b>	being 4:00 p.m. 16 September 2011 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of Shares and/or exercising Share Options in order to be qualified for the Open Offer
<b>“Last Trading Date”</b>	28 July 2011, being the last trading day of the Shares prior to the release of this announcement
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on the Stock Exchange
<b>“Loan”</b>	the loan of approximately HK\$112 million as at the date of this announcement owed by the Company to China Water
<b>“Mr. Duan”</b>	Mr. Duan Chuan Liang, being (i) the Chairman and non-executive Director of the Company; and (ii) the chairman and executive director of China Water
<b>“Open Offer”</b>	the proposed issue of Offer Shares on the basis of two (2) Offer Shares for every five (5) Shares to Qualifying Shareholders by way of rights or to holders of Offer Shares at the Subscription Price, pursuant to the terms and conditions of the Underwriting Agreement
<b>“Offer Share(s)”</b>	502,492,246 Shares to be allotted and issued pursuant to Open Offer
<b>“Overseas Letter”</b>	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer
<b>“Overseas Shareholders(s)”</b>	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) as shown on such register is(are) outside Hong Kong
<b>“Prohibited Shareholders”</b>	Such Overseas Shareholders, to whom the Directors, based on legal opinions provided by legal advisers and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the Offer Shares

<b>“Prospectus”</b>	the prospectus to be issued by the Company in relation to the Open Offer
<b>“Prospectus Documents”</b>	the Prospectus and the application form to be used by the Qualifying Shareholders to apply for the Offer Shares
<b>“Prospectus Posting Date”</b>	22 September 2011 or such later date as the Underwriter may agree in writing with the Company
<b>“Qualifying Shareholder(s)”</b>	the Shareholder(s), other than the Prohibited Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
<b>“Record Date”</b>	21 September 2011, being the date by reference to which entitlements to the Open Offer will be determined
<b>“Registrar”</b>	Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, being the Company’s Hong Kong branch share registrar
<b>“Set Off”</b>	the set off of the Subscription Price for the Offer Shares to which China Water and its associates to which they are entitled under the Open Offer
<b>“Shareholder(s)”</b>	holder(s) of the Shares
<b>“Share(s)”</b>	Existing Share(s) or Consolidated Share(s), as the case maybe
<b>“Share Consolidation”</b>	the proposed consolidation of every ten (10) Existing Shares of HK\$0.01 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of HK\$0.10 each in the issued and unissued share capital of the Company
<b>“Share Option(s)”</b>	the share option(s) granted under the Share Option Scheme
<b>“Share Option Scheme”</b>	the share option scheme adopted by the Company
<b>“Sharp Profit”</b>	Sharp Profit Investments Limited, a wholly owned subsidiary of China Water
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Subscription Price”</b>	subscription price of HK\$0.05 per Offer Share
<b>“Takeovers Code”</b>	the Hong Kong Code on Takeovers and Mergers
<b>“Underwriting Agreement”</b>	the underwriting agreement dated 28 July 2011 entered into among the Company and the Underwriter in relation to the Open Offer
<b>“Underwritten Shares”</b>	357,369,361 Offer Shares underwritten by China Water as the Underwriter under the Underwriting Agreement

**“Whitewash Waiver”** the whitewash waiver from the obligation of the Underwriter with it to make a mandatory offer under Rule 26 of the Takeovers Code as a result of the underwriting of the Offer Shares under the Underwriting Agreement pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code

**“%”** percent.

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

Hong Kong, 5 August 2011

*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.*

*The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*