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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)

SUBSCRIPTION OF NEW SHARES

On 14 June 2012 (after trading hours of the Stock Exchange), the Company entered into a Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, an aggregate of 50,000,000 Shares at the Subscription Price of HK\$0.60 per Subscription Share.

The Subscription Price of HK\$0.60 per Subscription Share represents: (i) a discount of approximately 13.04% to the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on 14 June 2012, being the closing price on the date of the Subscription Agreement; and (ii) a discount of approximately 13.79% to the average of the closing prices of HK\$0.696 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Subscription Agreement. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the liquidity and the recent trading performance of the Shares.

The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Subscription Shares represent approximately 2.84% of the existing issued share capital of the Company and approximately 2.76% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The net proceeds of the Subscription of approximately HK\$30 million will be applied for general working capital of the Company.

THE SUBSCRIPTION

The Subscription Agreement

Date: 14 June 2012 (after trading hours of the Stock Exchange)

Parties: (i) the Company; and
(ii) the Subscriber — Asia Lane Holdings Ltd. which is an Independent Third Party.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Subscriber is principally engaged in investment holding. The Subscriber does not hold any Shares at the date of the Subscription Agreement. Upon completion of the Subscription Agreement, the Subscriber will become a Shareholder holding in aggregated approximately 2.76% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Number of Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe in cash of HK\$30 million for a total of 50,000,000 Subscription Shares at the Subscription Price of HK\$0.60 per Subscription Share. The 50,000,000 Subscription Shares represent approximately 2.84% of the existing issued share capital of the Company as at the date of this announcement and approximately 2.76% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

PRINCIPAL TERMS OF SUBSCRIPTION AGREEMENT

Apart from the Subscription Shares to be subscribed by the Subscriber set out above, set out below are the key terms of the Subscription Agreement.

Subscription Price

The Subscription Price of HK\$0.60 per Subscription Share represents:

- (i) a discount of approximately 13.04% to the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on 14 June 2012, being the closing price on the date of the Subscription Agreement; and
- (ii) a discount of approximately 13.79% to the average of the closing prices of HK\$0.696 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Subscription Agreement.

The net Subscription Price, after deduction of relevant expenses (including but not limited to legal expenses and disbursements), is estimated to be approximately HK\$0.60 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the liquidity and the recent trading performance of the Shares. The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Condition of the Subscription

The Subscription is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares.

In the event that the condition of the Subscription is not fulfilled on or before 30 June 2012 or such other date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

Completion of the Subscription

Completion of the Subscription will take place at 4:00 p.m. on the third Business Days after the conditions of the Subscription are fulfilled (or such other date as may be agreed by the parties to the Subscription Agreement).

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

General Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 251,246,123 Shares (equivalent to 2,512,461,230 pre-consolidated shares immediately before the Share Consolidation). As at the date of this announcement, no portion of the General Mandate was utilised prior to the entering into of the Subscription Agreement. The Company has not allotted and issued any Shares pursuant to the General Mandate previously and the General Mandate is sufficient for the issue and allotment of the Subscription Shares. As such, the issue of the Subscription Shares is not subject to further Shareholders' approval. The Subscription Shares constitute approximately 19.90% of General Mandate.

Application for listing

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

REASONS FOR THE SUBSCRIPTION AGREEMENT

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

The Directors consider that it is in the interest of the Company and its Shareholders as a whole to enhance the cashflow of the Company by entering into the Subscription Agreement, which will enable the Company to generate general working capital for daily operation.

The gross proceeds of the Subscription are approximately HK\$30 million. All the net proceeds of the Subscription of approximately HK\$30 million will be applied for general working capital for daily operation. The Directors consider that the Subscription Agreement are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned. The Directors also consider that the Subscription will enhance the cashflow and broaden the capital base of the Company.

CHANGES IN SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Subscription are as follows:

	<i>Notes</i>	As at the date of this announcement and immediately before completion of the Subscription		Immediately after completion of the Subscription	
		<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
China Water Affairs Group Limited and its Associates	(1)	787,091,136	44.75	787,091,136	43.52
Mr. Duan Chuan Liang	(2)	4,207,928	0.24	4,207,928	0.23
Ms. Wang Wenxia	(2)	1,231,440	0.07	1,231,440	0.07
Mr. Ren Qian	(2)	680,400	0.04	680,400	0.04
China Financial International Investments Limited	(3)	180,303,429	10.25	180,303,429	9.97
Subscriber		Nil	Nil	50,000,000	2.76
Other public Shareholders		<u>785,208,528</u>	<u>44.65</u>	<u>785,208,528</u>	<u>43.41</u>
Total		<u>1,758,722,861</u>	<u>100.00</u>	<u>1,808,722,861</u>	<u>100.00</u>

Notes:

- (1) These Shares held by Sharp Profit Investments Limited ("Sharp Profit") and Good Outlook Investments Limited ("Good Outlook") which are wholly owned subsidiaries of China Water Affairs Group Limited (Stock Code: 855) ("China Water Affairs"). Therefore, China Water Affairs was deemed to be beneficially interested in the said Shares held by Sharp Profit and Good Outlook for the purposes of the Securities and Futures Ordinance ("SFO").
- (2) Mr. Duan Chuan Liang, Ms. Wang Wenxia and Mr. Ren Qian are Directors. Mr. Duan Chuan Liang is also the chairman and an executive director of China Water Affairs.
- (3) These Shares were held by Global Business Investment Enterprises Limited, a wholly owned subsidiary of China Financial International Investments Limited (Stock Code: 721) ("CFIIL"). Therefore, CFIIL was deemed to be beneficially interested in the said Shares held by Global Business Investment Enterprises Limited for the purposes of the SFO.

As at the date of this announcement, the Company has a total of 25,590,526 outstanding share options which entitles the holders of the share options to subscribe for 25,590,526 Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds
5 August 2011	open offer of two offer shares for every five consolidated shares	approximately up to HK\$138 million	To use the net proceeds for property development and related business in the PRC	The same as intended use of proceeds

Save as disclosed above, the Company has not conducted any equity fund raising activities in the previous 12 months immediately preceding the date of this announcement.

DEFINITIONS

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

“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 and 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
“Connected Person(s)”	has the meaning ascribed to this term in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with up to 251,246,123 Shares (equivalent to 2,512,461,230 pre-consolidated shares immediately before the Share Consolidation) at the annual general meeting of the Company held on 28 June 2011
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	independent third party who is not Connected Person(s) of the Company and is independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective Associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share Consolidation”	the share consolidation of every ten (10) pre-consolidated shares into one (1) Share as announced in the announcement of the Company dated 5 August 2011
“Shares”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Asia Lane Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficial owned by Ms. Kuang Fei, an Independent Third Party
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 14 June 2012 and entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	the subscription price of HK\$0.60 per Subscription Share
“Subscription Shares”	an aggregate of 50,000,000 Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 14 June 2012

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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.