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中國水務地產集團有限公司
CHINA WATER PROPERTY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2349)

**DISCLOSEABLE TRANSACTION INVOLVING
FORMATION OF A JOINT VENTURE COMPANY
AND
ENTERING INTO OF A LEASE AGREEMENT**

FORMATION OF A JOINT VENTURE COMPANY

The Board is pleased to announce that on 22 July 2013 (after trading hours), the JV Agreement was entered into between Zhongshui Property, an indirect wholly owned subsidiary of the Company, and Huangcheng Club, pursuant to which the Joint Venture Company will be established in Beijing, the PRC.

Zhongshui Property is interested in 10% of the registered and paid up capital of Huangcheng Club. Huangcheng Club is located at Chang Pu He side, Dongcheng District, Beijing, and five minutes' walk from Tiananmen Square and mainly engaged in high-end club service for providing venues for business meeting, small scale exhibitions and functions.

The purpose of establishing the Joint Venture Company is to develop and operate the land parcel B14 in Qianmen Avenue, Beijing (the "Land") and the Premises. The Joint Venture Company will be owned beneficially as to 70% by Zhongshui Property and as to 30% by Huangcheng Club. The Directors confirm that upon its establishment, the Joint Venture Company will become a 70% owned subsidiary of the Company.

Pursuant to the terms of the JV Agreement, the registered capital of the Joint Venture Company will be RMB100,000,000 (equivalent to approximately HK\$125,000,000), in which RMB70,000,000 (equivalent to approximately HK\$87,500,000) will be contributed by Zhongshui Property by way of cash and the balance will be contributed by Huangcheng Club by way of cash.

THE LEASE AGREEMENT

On 22 July 2013 (after trading hours), the Lease Agreement was entered into among Huangcheng Club, Zhongshui (the “Joint Venture Parties”) and Qianmen Tianshi Property (the “Landlord”), pursuant to which the Landlord agrees to lease the Land and part of the Premises and contract the Joint Venture Parties to construct for a term of 20 years (with conditional extension term of 20 years) at a total rent and constructions costs of RMB500,000,000 (equivalent to approximately HK\$625,000,000).

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the JV Agreement is more than 5% but less than 25%, the JV Agreement constitutes a discloseable transaction of the Company and is only subject to the reporting and announcement requirements under the Listing Rules.

FORMATION OF A JOINT VENTURE COMPANY

On 22 July 2013 (after trading hours), the JV Agreement is entered into between Huangcheng Club and Zhongshui Property with details as follows:

The JV Agreement

Date : 22 July 2013 (after trading hours)

Parties : (i) Huangcheng Club; and

(ii) Zhongshui Property, an indirect wholly owned subsidiary of the Company

Zhongshui Property is interested in 10% of the registered and paid up capital of Huangcheng Club. Huangcheng Club is located at Chang Pu He side, Dongcheng District, Beijing, and five minutes’ walk from Tiananmen Square. Huangcheng Club is also engaged in high-end club service for providing venues for business meeting, small scale exhibitions and functions.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Huangcheng Club and its ultimate beneficial owners (other than Zhongshui Property) are third parties independent of the Company and its connected persons (as defined under the Listing Rules) and are not connected persons (as defined under the Listing Rules) of the Company, and have no past business relationship with the Group and have not engaged in any other prior transactions with the Group.

Formation of Joint Venture Company

The parties to the JV Agreement agreed that the Joint Venture Company will be established in Beijing, the PRC and will be owned as to 70% and 30% by each of Zhongshui Property and Huangcheng Club respectively upon its establishment. The purpose of establishing the Joint Venture Company is to develop and operate the Land and the Premises. The scope of business of the Joint Venture Company will be property investment, property development and related operations. The Directors confirm that upon its formation, the Joint Venture Company will become a non-wholly owned subsidiary of the Company and the financial results of the Joint Venture Company will be consolidated into the accounts of the Group.

Registered Capital

The registered capital of the Joint Venture Company will be RMB100,000,000 (equivalent to approximately HK\$125,000,000). RMB70,000,000 (equivalent to approximately HK\$87,500,000) will be contributed by Zhongshui Property by way of cash and the balance will be contributed by Huangcheng Club by way of cash. As at the date of this announcement, neither party has made any contribution to the Joint Venture Company.

Capital Commitment

Under the JV Agreement, Zhongshui Property will contribute not more than RMB210,000,000 (equivalent to approximately HK\$262,500,000) (including Zhongshui Property's contribution to the registered capital in the Joint Venture Company in the sum of RMB70,000,000 (equivalent to approximately HK\$87,500,000) as mentioned above) out of the Group's internal resources and shall use its best endeavour to procure the financing of not less than RMB290,000,000 (equivalent to approximately HK\$362,500,000) from banks and/or other financial institutions to the Joint Venture Company. In view of the aforesaid financing need of the Joint Venture Company, Huangcheng Club agrees to provide its equity interests in the Joint Venture Company to secure the financing if so requested by the banks and/or financial institutions. Such provision may or may not constitute a connected transaction for the Company under the Listing Rules and the Company will make further announcement(s) in compliance with the Listing Rules as and when appropriate.

In the event that (1) Zhongshui Property fails to procure sufficient financing to meet the working capital requirement of the Joint Venture Company and (2) the Company decides to contribute to the working capital by making further provision of financing, such financing by the Company may be aggregated with its contribution mentioned above and it may constitute a notifiable transaction under the Listing Rules. In such event, the Company will make further announcement(s) in compliance with the Listing Rules as and when appropriate.

The registered capital of the Joint Venture Company and the contribution from Zhongshui Property are determined after arm's length negotiations between Zhongshui Property and Huangcheng Club with reference to the capital requirement of the Joint Venture Company in carrying out its purposes as set out in the section headed "Formation of Joint Venture Company" above.

THE LEASE AGREEMENT

On 22 July 2013 (after trading hours), the Joint Venture Parties and the Landlord entered into the Lease Agreement, whereas it was agreed that the interests and obligations on the part of the tenant under the Lease Agreement will be assigned and novated to the Joint Venture Company upon its establishment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules) and are not connected persons (as defined under the Listing Rules) of the Company. The Landlord is principally engaged in investment holding in the PRC.

The Land and the Premises

The Land is situated at Qianmen Avenue land parcel B14, Beijing, the PRC with a site area of 10,487.60 square meters. Upon the completion of the Premises, its gross floor area will be approximately 38,876.08 square meters and comprise of 1 storey and 3 levels below ground, mainly for the use of as a theme hotel and culture club and related property businesses (subject to government approval). The Joint Venture Parties shall have the usage right, operating right, managing right and income earning right over the premises above the ground level and level 1 of the basement of the Premises.

Term

The lease of the Land and certain part of the Premises is for a term of 20 years with effect from the date of the Lease Agreement. Upon the expiry of the term, conditional upon the due performance of its obligations under the Lease Agreement, the Joint Venture Parties may continue to use the Land and part of the Premises for free for not exceeding another 20 years from the date of expiry, or up to the date of termination of the land use right of the Land (whichever is the earlier). According to the land use right certificate of the Land, the remaining term of the Land is 36 years (subject to renewal).

Rent and Construction Costs

The aggregate of the Rent (as defined below) and Construction Costs (as defined below) will be RMB500,000,000 (equivalent to approximately HK\$625,000,000) of which RMB200,000,000 (equivalent to approximately HK\$250,000,000) (the "**Construction Costs**") will be the construction costs of the Premises and the remaining (the "**Rent**") shall be the rental of certain part of the Premises leased to the Joint Venture Parties upon its completion. The Rent is counted on the day falling on the fourth month from the date of the completion report is issued in relation to the Premises. The Directors consider that the Rent and the Construction Costs payable under the Lease Agreement, arrived at after arm's length negotiations, are fair and reasonable.

Payment of Rent

The Rent is payable in the following manner:

- (i) a deposit of RMB50,000,000 (equivalent to approximately HK\$62,500,000) (the “**Deposit**”) to be paid within 15 days from the date of entering the Lease Agreement; and
- (ii) RMB250,000,000 (equivalent to approximately HK\$312,500,000) shall be paid upon the construction permit of the Premises having been obtained.

The Rent was arrived at after arm’s length negotiations between the parties to the Lease Agreement after having taken into account the market rate of similar property in Beijing.

Payment of Construction Costs

The Construction Costs shall be paid to the contractors within 5 days from the date of payment and progress of construction as stipulated in the constructions contract(s) signed with the contractor(s) of the Premises.

The Construction Costs was arrived at after arm’s length negotiations between the parties to the Lease Agreement after having taken into account the prevailing market rate of construction costs of similar project in Beijing.

Termination

Either party to the Lease Agreement may terminate the Lease Agreement by giving written request to the other party and obtaining its consent.

In the event that the Lease Agreement shall be terminated at the request of the Joint Venture Parties before the expiry of the term of the Lease Agreement, the Rent will be refunded after deducting the rental on pro-rata basis and related restoration cost if any. The Deposit will be forfeited by the Landlord.

REASONS FOR ENTERING INTO THE TRANSACTIONS

The Group is principally engaged in the business of property investment, property development, hotel businesses and property management in the PRC and considered that by setting up a Joint Venture Company mainly for the operation of a theme hotel, culture club and related properties businesses on the Land and the Premises, the parties to the JV Agreement will be able to consolidate and leverage on their respective resources and expertise for such business, in order to match the marco development in Qianmen Avenue commercial zone in Beijing. As the Land is located at the core area of central Beijing City, which is a Beijing traditional commercial street near Tiananmen Square and Dashilar Street, the leasing of the Land and part of the Premises will enhance the property portfolio and generate a stable income stream for the Company. The Directors consider that entering into the Transactions offers the Group a good opportunity to expand its business in central district of Beijing.

The Directors, including the independent non-executive Directors, consider that the terms of the Transactions are entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the Transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the JV Agreement is more than 5% but less than 25%, the JV Agreement constitutes a discloseable transaction of the Company and is only subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Water Property Group Limited (中國水務地產集團有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors (including the independent non-executive directors) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huangcheng Club”	北京皇城會所文化有限公司 (Beijing Huangcheng Club & Culture Company Limited) [#] , a limited liability company established under the laws of the PRC
“Joint Venture Company”	an equity joint venture to be established pursuant to the JV Agreement in Beijing, the PRC, the name of which will be agreed between the Joint Venture Parties
“Joint Venture Parties”	Huangcheng Club and Zhongshui Property
“JV Agreement”	the joint venture agreement dated 22 July 2013 (after trading hours) and entered into between Zhongshui Property and Huangcheng Club with respect to the formation of the Joint Venture Company

“Land”	a piece and parcel of land with a site area of 10,487.60 square meters located at Qianmen Avenue land parcel B14, Beijing, the PRC, the land use right to which is vested to the Landlord under the State-owned Property Ownership Certificate No. 京東國用(2013出)第0023號 (Jingdong Guoyong No. 0023 of 2013) [#]
“Lease Agreement”	the lease agreement dated 22 July 2013 (after trading hours) and entered into between the Joint Venture Parties and the Landlord in relation to the leasing of the Land and the storey above ground and 1 level below the ground level of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Premises”	the commercial premises to be constructed on the Land mainly for use as hotel and culture club and expected to have a total gross floor area of approximately 38,876.08 square meters and comprise of 1 storey and 3 levels below ground level
“Qianmen Tianshi” or “Landlord”	北京前門天市置業發展有限公司 (Beijing Qianmen Tianshi Property Development Company Limited) [#] , a limited liability company established under the laws of the PRC, the landlord of the Lease Agreement
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the JV Agreement and the Lease Agreement
“Zhongshui Property”	深圳中水置業有限公司 (Shenzhen Zhongshui Property Company Limited) [#] , a company established under the PRC with limited liability, being an indirect wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

[#] *The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.25. 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 this or any other rate at all.

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

Hong Kong, 22 July 2013

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.