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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)

**POSSIBLE NOTIFIABLE TRANSACTION:
POTENTIAL DISPOSAL OF THE LAND**

As disclosed in the announcement of the Company dated 7 February 2013, to the best of the Directors' knowledge and information, the Application for the change in use of the Land had been in principle approved by the relevant PRC authorities.

As advised by its PRC legal adviser and as a matter of the PRC laws and regulations, the Land would be first retrieved by the PRC Government as governmental land first and then be subject to the tendering and bidding procedures governed by the PRC laws and regulations. As further advised by the PRC legal adviser, the Group will retrieve 70% of the bidding price as compensation to the loss of the land use rights.

In the event if there will be any successful bids under the Tendering, the Group will be deemed to have disposed the Land which will constitute a notifiable transaction on the part of the Company.

Shareholders and public investors are advised that there will be no certainty as to whether there will be successful bids under the Tendering and the Potential Disposal may or may not be materialised. Further announcement(s) will be made by the Company as and when appropriate in respect of any material developments.

BACKGROUND OF THE POTENTIAL DISPOSAL

Reference is made to the announcements of the Company dated 18 September 2009 and 7 February 2013 in relation to, among others, the Application to the relevant PRC authorities to amend the use of the Land from industrial uses to residential-commercial uses.

As disclosed in the announcement of the Company dated 7 February 2013, to the best of the Directors' knowledge and information, the Application for the change in use of the Land had been in principle approved by the relevant PRC authorities.

As advised by its PRC legal adviser and as a matter of the PRC laws and regulations, the Land would be first retrieved by the PRC Government as governmental land first and then be subject to the tendering and bidding procedures governed by the PRC laws and regulations. As further advised by the PRC legal adviser, the Group will retrieve 70% of the bidding price as compensation to the loss of the land use rights.

On 15 August 2013, the relevant PRC authorities have published the Tender Notice in relation to, among others, the Tendering and Bidding of the Land.

For the reasons further elaborated in the section headed “Reasons for the Possible Disposal” below, it is currently intended that the Group would not participate in the Tendering and as such, in the event if there will be any successful bids under the Tendering, the Group will be deemed to have disposed the Land which will constitute a notifiable transaction on the part of the Company.

THE TENDER NOTICE

Date of publication: 15 August 2013

Expected date of publication of results of Tendering: around 15 September 2013

The Tender Notice was published by the relevant PRC authorities in accordance with the relevant PRC laws and regulations to invite interested parties to bid for, among others, the Land. To the best of the Directors’ knowledge, information and belief, the PRC authorities are Independent Third Parties.

Assets to be disposed

The Land is a piece of land located in Huadu District of Guangzhou in Guangdong Province, the PRC, with gross area of approximately 28,183 sq. m. and total construction area of not more than 77,971 sq. m.

Based on the audited financial statements of the Group for the year ended 31 December 2012, the book value of the Land as at 31 December 2012 was approximately HK\$230,863,000. Based on the unaudited financial statements of the Group as at 30 June 2013, the book value of the Land as at 30 June 2013 amounts to HK\$293,750,000.

Compensation Amount

The aggregate compensation amount for the Possible Disposal to be received by the Group as a result of the loss of the Land will be equivalent to 70% of the bidding price of the successful bid in the Tendering. According to the Tendering Notice, the Bottom Price for the Tendering would be RMB374,270,000 (equivalent to approximately HK\$467,838,000). The Board was first aware of the Bottom Price after the publication of the Tender Notice.

To the best of the Directors' knowledge, information and belief, the consideration for the Possible Disposal was determined by the relevant PRC authorities in accordance with the relevant PRC laws and regulations. The Directors consider the terms and conditions of the Possible Disposal (including the compensation amount) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Completion of Tendering

It is expected that the tendering results will be available on or around 15 September 2013. However, there is no guarantee that there will be any successful bids for the Land. As advised by its PRC legal adviser, in the event that there will be not successful bid for the Land, the relevant PRC authorities will arrange the tendering and bidding process to be scheduled on a later date to be determined by the PRC authorities. The terms and conditions of such subsequent tendering will be announced by the PRC authorities.

Upon completion of the Possible Disposal, the Group will cease to have any interests in the Land.

Use of proceeds and expected financial effects of the Possible Disposal

The Board estimates that the net proceeds from the Possible Disposal (after deduction of relevant costs and expenses) will amount to not less approximately RMB261,989,000 (equivalent to approximately HK\$327,486,000), before any relevant costs or tax imposed by the relevant PRC authorities, if any. It is intended that the net proceeds from the Disposal will be applied towards general working capital of the Group.

Based on the audited accounts of the Group as at 31 December 2012 and the aforesaid estimated net proceeds from the Possible Disposal, it is expected that the Group will record a gain attributable to the Possible Disposal for the financial year during which the Disposal is completed and an increase in the net assets of the Group. In any event, the Board does not envisage that the Possible Disposal will create any significant adverse impact on the Group's financial position.

REASONS FOR THE POSSIBLE DISPOSAL

The Group is principally engaged in property investment, property development, hotel business and property management.

The Tendering process is one of the processes of the Application for the change of uses of the Land. In light of the potential gain from the Possible Disposal with reference to the Bottom Price, the Board considers that the Possible Disposal represents a good opportunity for realization of the Group's investment in the Land. Further, the proceeds from the Possible Disposal can further strengthen the cash flow of the Group and will allow the Group to reallocate its resources for future development.

The Board has also considered the alternative to bid the Land under the Tender Notice. However, in light of the relatively high Bottom Price and also the future development costs of the Land, the Board considers that it would be in the interests of the Company and its Shareholders as a whole not to participate the Tendering as this stage.

Taking into consideration of the aforesaid, the Directors, including the independent non-executive Directors, consider that the terms and conditions of the Possible Disposal are fair and reasonable and the Possible Disposal is in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

The Possible Disposal, when materialised, will constitute a notifiable transaction on the part of the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate.

Shareholders and public investors are advised that there will be no certainty as to whether there will be successful bids under the Tendering and the Potential Disposal may or may not be materialised.

DEFINITIONS

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

“Application”	the application made by the Group to the relevant PRC authorities in relation to the change of use of the Land from industrial uses to residential-commercial uses
“Board”	the board of Directors
“Bottom Price”	the bottom bid price for the Tendering, which amounts to RMB374,270,000 (equivalent to approximately HK\$467,838,000)
“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
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Land”	the piece of land which was used as production facilities by the Group located in Huadu District of Guangzhou in Guangdong Province, the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Possible Disposal”	the possible disposal of the Land under the Tendering
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tender Notice”	the public announcement dated 15 August 2013 and made by Guangzhou Municipal Land Resources and Housing Administrative Bureau in relation to the Tendering
“Tendering”	the tendering of the Land as specified under the Tender Notice
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, 13 September 2013

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.

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.