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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Botanic Development Holdings Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**中國植物開發控股有限公司**  
CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED  
(to be renamed as “**China Water Property Group Limited**”)  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2349)

**PROPOSED REFRESHMENT OF GENERAL MANDATE  
TO ALLOT AND ISSUE SHARES**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



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A letter from the Independent Board Committee is set out on page 8 of this circular. A letter from VC Capital Limited, the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company, is set out on pages 9 to 13 of this circular.

A notice convening an extraordinary general meeting (the “**EGM**”) of the Company to be held at Room 1816-17, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong on Wednesday, 18 November 2009 at 10:00 a.m. is set out on pages 14 to 17 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

30 October 2009

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Letter from the Independent Board Committee</b> .....	8
<b>Letter from VC Capital</b> .....	9
<b>Notice of EGM</b> .....	14

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 19 June 2009 in which the Shareholders had approved, among other matters, the Current General Mandate
“Articles”	the articles of association of the Company
“associates”	have the same meaning as ascribed in the Listing Rules
“Board”	the board of Directors, including all independent non-executive Directors
“China Water”	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 and a substantial Shareholder of the Company
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	China Botanic Development Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued Shares are listed on the main board of the Stock Exchange
“Current General Mandate”	the general mandate approved at the AGM to grant to the Directors to allot and issue Shares of up to 20% of the share capital of the Company in issue on the date of the passing of the relevant ordinary resolution, which was 19 June 2009
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 1816-17, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong on Wednesday, 18 November 2009 at 10:00 a.m. to consider and, if appropriate, to approve the ordinary resolutions contained in the notice of the meeting which are set out on pages 14 to 17 of this circular
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the grant of the New General Mandate
“Independent Financial Adviser” or “VC Capital”	VC Capital Limited, a corporation licensed to conduct type 6 regulated activity as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the grant of the New General Mandate
“Independent Shareholders”	Shareholder(s) other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	28 October 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and otherwise deal with additional Shares not exceeding 20% of the share capital of the Company in issue on the date of the passing of the relevant ordinary resolution
“Open Offer”	the issue of offer shares to the Shareholders in the proportion of five offer share for every one share as set out in the prospectus of the Company dated 22 September 2009
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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**中國植物開發控股有限公司**  
CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED  
(to be renamed as “China Water Property Group Limited”)  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2349)

*Executive Director:*

Mr. But Ka Wai (*Chairman*)  
Ms. Wang Wen Xia (*Vice Chairman*)  
Mr. But Chai Tong (*Vice Chairman*)  
Mr. Sun Zhen Yu  
Mr. Ren Qian

*Non-executive Director:*

Mr. Zhou Kun

*Independent non-executive Directors:*

Mr. Chen Ziqiang  
Mr. Tam Pei Qiang  
Ms. Li Ling

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Principal place of business  
in Hong Kong:*

2nd Floor, On Shing Industrial Building  
2-16 Wo Liu Hang Road  
Fo Tan, Shatin  
New Territories  
Hong Kong

30 October 2009

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATE  
TO ALLOT AND ISSUE SHARES**

**INTRODUCTION**

The purpose of this circular is to provide you with the information relating to (i) the proposed grant of the New General Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the proposed grant of the New General Mandate; (iii) the recommendation from VC Capital to the Independent Board Committee and the Independent Shareholders, on the proposed grant of the New General Mandate; and (iv) the notice of EGM, at which the necessary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the New General Mandate by way of poll.

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## LETTER FROM THE BOARD

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### CURRENT GENERAL MANDATE

At the AGM, Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Current General Mandate to issue not more than 207,581,250 Shares, being 20% of the aggregate nominal amount of the issued share capital of the Company of 1,037,906,250 Shares as at the date of passing of the resolution.

During the period from the grant of the Current General Mandate to the Latest Practicable Date, the Current General Mandate had not been utilised by the Company.

### PROPOSED GRANT OF NEW GENERAL MANDATE

At the EGM, ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the share capital of the Company in issue as at the date of passing the relevant ordinary resolution; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

The Company has not refreshed the Current General Mandate since the AGM.

As at the Latest Practicable Date, the Company had an aggregate of 6,932,437,494 Shares in issue. Subject to the passing of the ordinary resolutions for the approval of the New General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be allowed under the New General Mandate to allot and issue up to 1,386,487,498 Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

### REASONS FOR THE NEW GENERAL MANDATE

Immediately after completion of the Open Offer, the number of issued Shares was 6,932,437,494 Shares. However, under the Current General Mandate, only 207,581,250 new Shares can be issued, representing approximately 2.99% of the issued share capital of the Company as enlarged by the Open Offer and the existing issued share capital of the Company.

In order to top up the number of Shares to be issued pursuant to the Current General Mandate as a result of the Open Offer and to maintain financial flexibility and provide discretion to the Directors to issue new Shares in the future which is necessary for the Group's future business development, the Directors propose to the Shareholders a resolution to grant the New General Mandate such that the Directors can exercise the power of the Company to issue new Shares up to 20% of the issued share capital of the Company as at the date of the EGM. The Company at present does not have any concrete plan regarding the utilisation of the New General Mandate to be refreshed.

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## LETTER FROM THE BOARD

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Subject to the approval of the Independent Shareholders for the refreshment of the New General Mandate, and assuming that no other Shares will be issued by the Company on or prior to the date of the EGM, the Shares in issue as at the date of the EGM would be 6,932,437,494 Shares, which means that under the New General Mandate (as refreshed) the Directors would be authorised to allot and issue a maximum of 1,386,487,498 Shares if the New General Mandate is refreshed.

In view of the above, the Directors consider the grant of the New General Mandate, which may or may not be utilised, is in the best interests of the Company and the Shareholders as a whole.

### EXTRAORDINARY GENERAL MEETING

Pursuant to Rule 13.36(4)(a) of the Listing Rules, the New General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions. Since the Company has no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions at the EGM.

As at the Latest Practicable Date, save for 250,000,000 Shares held by Mr. But Ka Wai, an executive Director, through a corporation controlled by him, none of the Directors and the chief executive of the Company, and their respective associates have any shareholding in the Company. Mr. But Ka Wai and his respective associates will abstain from voting in relation to the resolution to approve the refreshment of the New General Mandate at the EGM.

Further, pursuant to Rule 13.39(4)(b) of the Listing Rules, any vote of the Independent Shareholders at the EGM will be taken by poll for resolutions in relation to the granting and extension of New General Mandate.

The notice convening the EGM is set out on pages 14 to 17 of this circular. At the EGM, ordinary resolutions will be proposed to approve the proposed grant of the New General Mandate. A form of proxy for use at the EGM is also enclosed with this circular. To be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting in person if you so wish.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company as at (i) the Latest Practicable Date and (ii) the date upon the full utilisation of the New General Mandate:

	As at the date of the Latest Practicable Date		Upon full utilisation of the New General Mandate	
	(No. of Shares)	%	(No. of Shares)	%
Mr. But Ka Wai and his associates	250,000,000	3.61	250,000,000	3.00
China Water and its associates	1,984,706,172	28.63	1,984,706,172	23.86
Existing Public Shareholders	4,697,731,322	67.76	4,697,731,322	56.47
Shares issued under the New General Mandate	—	—	1,386,487,498	16.67
Total	<u>6,932,437,494</u>	<u>100.00</u>	<u>8,318,924,992</u>	<u>100.00</u>

Assuming that (i) the refreshment of the Current General Mandate is approved at the EGM; (ii) no Shares will be repurchased and no new Shares will be issued from the Latest Practicable Date up to the date of the EGM (both dates inclusive); and (iii) upon full utilisation of the New General Mandate, 1,386,487,498 Shares are to be issued, which represents 20% and approximately 16.67% of the existing issued share capital as at the Latest Practicable Date and the enlarged issued share capital of the Company respectively. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 67.76% to approximately 56.47% upon full utilisation of the New General Mandate.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprises Mr. Chen Ziqiang, Mr. Tam Pei Qiang and Ms. Li Ling, all being independent non-executive Directors. It has been established to advise the Independent Shareholders on the grant of the New General Mandate.

VC Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate.

### RECOMMENDATIONS

The Directors consider the refreshment of the New General Mandate is in the interest of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM for approving the grant of the New General Mandate.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice of VC Capital, considers that the granting of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM for approving the grant of the New General Mandate.

### GENERAL INFORMATION

Your attention is drawn to the letter of advice from VC Capital set out on pages 9 to 13 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the grant of the New General Mandate and the letter from the Independent Board Committee set out on page 8 of this circular which contains its recommendation to the Independent Shareholders in relation to the grant of the New General Mandate.

Please note, however, the ordinary resolutions will be voted by way of poll at the EGM as required under the Listing Rules.

### RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully  
For and on behalf of the Board  
**China Botanic Development Holdings Limited**  
**But Ka Wai**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the proposed refreshment of the New General Mandate:*



**中國植物開發控股有限公司**  
CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED  
(to be renamed as “China Water Property Group Limited”)  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2349)

30 October 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATE  
TO ALLOT AND ISSUE SHARES**

We have been appointed as the Independent Board Committee to consider and advise you on in connection with the proposed refreshment of the New General Mandate, details of which are set out in the circular dated 30 October 2009 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from VC Capital set out on pages 3 to 7 and pages 9 to 13 of the Circular respectively.

Having taken into account the principal factors and reasons considered by VC Capital, its conclusion and advice, we concur with the view of VC Capital and consider the terms of the refreshment of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and the New General Mandate is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the refreshment of the New General Mandate and the transactions contemplated thereunder.

Yours faithfully,  
**Chen Ziqiang   Tam Pei Qiang   Li Ling**  
*Independent Board Committee*

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## LETTER FROM VC CAPITAL

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*The following is the full text of a letter from VC Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular.*



30 October 2009

*To the Independent Board Committee and  
the Independent Shareholders of  
China Botanic Development Holdings Limited*

Dear Sir or Madam,

### **PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Current General Mandate of the Company (the “**Refreshment**”), details of which are set out in “Letter from the Board” as contained in the circular of the Company dated 30 October 2009 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, the Company had 6,932,437,494 Shares in issue. Pursuant to Rule 13.36(4)(a) of the Listing Rules, the New General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions. Since the Company has no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions at the EGM. The approval of resolutions will be taken by poll.

As at the Latest Practicable Date, save for 250,000,000 Shares held by Mr. But Ka Wai, an executive Director, through a corporation controlled by him, none of the Directors and the chief executive of the Company, and their respective associates have any shareholding in the Company. Mr. But Ka Wai and his respective associates shall abstain from voting in favour of the proposed resolutions to approve the Refreshment and the New General Mandate at the EGM.

The Independent Board Committee, comprising Mr. Chen Ziqiang, Mr. Tam Pei Qiang and Ms. Li Ling, all being the independent non-executive Directors, has been established to advise on the fairness and reasonableness of the Refreshment so far as the Independent Shareholders are concerned and as to whether it is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM VC CAPITAL

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In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the Refreshment is fair and reasonable so far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole.

VC Capital Limited (“**VC Capital**”) is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Refreshment. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and the opinions expressed by the executive Directors and senior management of the Group. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were prepared or made and will continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations made to us by the executive Directors and senior management of the Group. We have also been advised by the executive Directors that no material facts have been omitted from the Circular and the information provided to us.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

All the executive Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In considering whether the Refreshment is fair and reasonable so far as the Independent Shareholders are concerned, and whether it is in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:

#### **1. Background of the Current General Mandate and reasons for the Refreshment**

At the AGM, the Directors were granted the Current General Mandate by the then Shareholders to allot and issue up to 207,581,250 new Shares, representing 20% of the total number of 1,037,906,250 Shares in issue as at the date of the AGM. During the period from the grant of the Current General Mandate to the Latest Practicable Date, the Current General Mandate had not been utilised by the Company.

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## LETTER FROM VC CAPITAL

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As a result of the Open Offer, the total number of the Shares in issue has increased to 6,932,437,494 Shares such that the Current General Mandate represented only approximately 2.99% of the issued share capital of the Company as at the Latest Practicable Date. In order to maintain financial flexibility and provide discretion to the Directors to allot and issue new Shares in the future which is necessary for the Group's future business development, the Directors propose to seek the approval of the Independent Shareholders to grant the New General Mandate such that the Directors could be authorized to allot and issue new Shares up to 20% of the issued share capital of the Company as at the date of the EGM.

The Company had 6,932,437,494 Shares in issue as at the Latest Practicable Date, subject to the passing of the ordinary resolutions for the approval of the Refreshment and assuming that no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date up to and including the date of the EGM, the Company would be allowed under the New General Mandate to allot and issue up to 1,386,487,498 Shares, representing 20% of the total number of Shares in issue as at the date of the EGM.

### **2. Equity financing as compared with other financing alternatives**

With reference to the announcement of the Company dated 10 August 2009, the Group intends to diversify its investments to engage in the purchase and development of properties located in the PRC.

In September 2009, the Company has conducted an open offer and raised approximately HK\$279 million, which is intended to apply for financing possible diversified investments of the Group including but not limited to purchase and development of properties in the PRC from China Water and/or other independent third party(ies) of the Company and its connected persons.

On 16 October 2009, Mega Famous Investment Limited, a wholly-owned subsidiary of the Company, entered into memorandums of understanding with China Water Group (HK) Limited and Cui Jing respectively in relation to the possible acquisition of equity interests in a company established in the PRC for an aggregate consideration of not more than HK\$66,000,000, details are set out in the announcement of the Company dated 16 October 2009.

Given that the property investment and development is a capital-intensive business, the executive Directors believe it is important for the Group to maintain a strong cash position and capital reserves to make investment(s) in this business as and when opportunities arise in a timely manner. As such, we are of the view that the Refreshment will provide the Group with the flexibility to cope with any financing needs as it allow the management of the Company to allot and issue new Shares to raise capital in a timely manner as and when any attractive investment opportunities arise.

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## LETTER FROM VC CAPITAL

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We noted from the management of the Company that when an investment opportunity arises, they will consider various fund raising methods to finance investments such as debt financing, and/or equity financing by way of rights issue or placement of new Shares under a general mandate or a specific mandate, depending on the requirement of each investment opportunity. As such, we consider it sensible to refresh the Current General Mandate in order to provide a higher flexibility to the management of the Group to consider and decide an optimal financing method for its business development.

The executive Directors have confirmed that they would exercise due and careful consideration when structuring a financing method for the investments of the Group, with reference to factors such as the Group's then financial position and capital structure, cost of funding and the then market condition.

Taking into account that the Refreshment shall (i) provide the Company with the flexibility to raise additional fund to finance its immediate or future property investment and/or development plans and/or possible acquisition opportunities shall they arise; (ii) provide the Directors with greater autonomy and more flexibility in choosing the best financing method in a timely manner to respond to the competitive and rapidly changing capital and credit market; and (iii) provide the Group an opportunity to strengthen its cash position and capital reserves to prepare for diversification of the new business, we consider that the Refreshment is fair and reasonable so far as the Independent Shareholders are concerned and it is in the interests of the Company and its Shareholders as a whole.

### 3. Potential dilution to shareholdings of the Independent Shareholders

Set out below is a table showing the shareholding structure of the Company as at the Latest Practicable Date and for illustrative purpose, the potential dilution effect on the shareholding interest of the Shareholders upon full utilisation of the New General Mandate, assuming no Shares are issued and/or repurchased during the period from the Latest Practicable Date up to and including the date of the EGM:

	<b>As at the Latest Practicable Date</b>		<b>Upon full utilisation of the New General Mandate</b>	
	<i>No. of Shares</i>	<i>Approx.</i>	<i>No. of Shares</i>	<i>Approx.</i>
		%		%
Mr. But Ka Wai and his associates	250,000,000	3.61	250,000,000	3.00
China Water and its associates	1,984,706,172	28.63	1,984,706,172	23.86
Existing public Shareholders	4,697,731,322	67.76	4,697,731,322	56.47
Shares to be allotted and issued under the New General Mandate	—	—	<u>1,386,487,498</u>	<u>16.67</u>
<b>Total</b>	<b><u>6,932,437,494</u></b>	<b><u>100.00</u></b>	<b><u>8,318,924,992</u></b>	<b><u>100.00</u></b>

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## LETTER FROM VC CAPITAL

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As illustrated in the above table, the aggregate shareholding of the existing public Shareholders will decrease from approximately 67.76% as at the Latest Practicable Date to approximately 56.47% upon full utilisation of the New General Mandate.

Taking into account (i) the Refreshment would allow the Company to raise capital by the allotment and issue of new Shares before the next annual general meeting if such need arises; (ii) the New General Mandate provides more flexibility and financing options to the Company; and (iii) the fact that the shareholdings of all Shareholders will be diluted proportionately according to their respective shareholdings upon any utilisation of the New General Mandate, we consider such dilution or potential dilution to shareholdings of the Independent Shareholders to be acceptable.

### RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, we are of the view that the Refreshment is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolutions for approving the Refreshment and granting the New General Mandate at the EGM. However, Independent Shareholders are advised to take note of the possible dilution effect on their shareholdings in the Company when and if the New General Mandate is utilised.

Yours faithfully  
For and on behalf of  
**VC Capital Limited**  
**Keith Lou**  
*Executive Director*

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## NOTICE OF EGM

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**中國植物開發控股有限公司**  
CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED  
(to be renamed as “China Water Property Group Limited”)  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2349)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of China Botanic Development Holdings Limited (the “Company”) will be held at Room 1816-17, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong on Wednesday, 18 November 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. **“THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the directors (the “**Directors**”) of the Company at the annual general meeting (the “**AGM**”) of the Company held on 19 June 2009 be and is hereby revoked and replaced by the mandate **THAT**:
  - (a) subject to paragraph (c) below, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the “**Shares**”) and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

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## NOTICE OF EGM

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(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the existing share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

- (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
- (ii) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of such resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of the Company, the Companies Law or any other applicable laws of Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

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## NOTICE OF EGM

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“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

2. “**THAT** conditional upon the passing of resolution no. 1 above, the mandate granted to the Directors at the AGM to extend the general mandate to allot and issue Shares to Shares repurchased by the Company be and is hereby revoked and replaced by the mandate **THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 1 above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such resolution.”

By order of the Board  
**China Botanic Development Holdings Limited**  
**But Ka Wai**  
*Chairman*

Hong Kong, 30 October 2009

*Registered Office:*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Principal place of business in Hong Kong:*  
2nd Floor, On Shing Industrial Building  
2-16 Wo Liu Hang Road  
Fo Tan, Shatin  
New Territories  
Hong Kong

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## NOTICE OF EGM

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*Notes:*

1. Subject to the provisions of the articles of association of the Company, any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent and vote on his behalf at the EGM. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. On a poll, votes may be given either personally or by proxy.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and returned, together with the power of attorney or other authority (if any) under which it is signed (or a copy which has been certified by a notary) to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting.
3. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.
5. Pursuant to the Listing Rules, the voting on ordinary resolutions at the EGM will be conducted by way of poll.