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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, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Water Property Group Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer 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 GRANT OF GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES;**
- (2) PROPOSED RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS;**
- (3) PROPOSED APPOINTMENT OF AUDITOR;**
- (4) ADOPTION OF NEW SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME;**
- (5) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND**
- (6) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company to be held at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 18 June 2013 at 11:00 a.m. is set out on pages 26 to 30 of this circular. A form of proxy for use at the annual general meeting is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.

Whether or not you are able to attend the annual general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

24 April 2013

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	3
General Mandate and Repurchase Mandate	4
Re-appointment and re-election of Directors	5
Proposed Appointment of Auditor	5
Adoption of New Share Option Scheme and Termination of Existing Share Option Scheme	6
Valuation of Options	7
Proposed Amendments to the Articles of Association	8
AGM	8
Responsibility statement	9
Recommendation	9
General	9
Appendix I — Explanatory statement	10
Appendix II — Details of Directors proposed to be re-elected at the AGM	14
Appendix III — Principal terms of the New Share Option Scheme	17
Notice of AGM	26

DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be convened and held at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 18 June 2013 at 11:00 a.m. to consider and, if thought fit, approve, among other things, the proposed grant of the General Mandate (including the extended General Mandate) and the Repurchase Mandate; the proposed re-appointment and re-election of Directors; the proposed appointment of Auditor; the adoption of New Share Option Scheme; and the proposed Amendments to the Articles Association
“Amendments to the Articles Association”	the proposed amendments to the Articles of Association as set out in the notice of the AGM
“Article(s)” or “Articles of Association”	the articles of association of the Company as amended from time to time
“Associate(s)”	as the meaning ascribed to this term under the Listing Rules
“Auditor” or “HLM CPA”	HLM CPA Limited, the auditor of the Company
“Board”	the board of Directors
“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 main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted on 3 June 2003, which will expire on 2 June 2013
“General Mandate”	the general mandate proposed to be granted to the Directors at the AGM to issue further new Shares not exceeding 20% of the issued share capital of the Company as at the date of granting of the General Mandate
“Group”	the Company and all of its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	18 April 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the AGM, at summary of the principal terms of which is set out in Appendix III to this circular
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Repurchase Mandate”	the repurchase mandate proposed to be granted to the Directors at the AGM to repurchase up to 10% of the issued share capital of the Company as at the date of granting of the Repurchase Mandate
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 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
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. Wang Wenxia

(Vice Chairman and Chief Executive Officer)

Mr. Ren Qian

Non-executive Directors:

Mr. Duan Chuan Liang *(Chairman)*

Mr. Zhou Kun

Independent non-executive Directors:

Mr. Chan Pok Hiu

Mr. Wong Chi Ming

Mr. Wang Jian

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head Office and principal place

of business in Hong Kong:

Suite 6208, 62nd Floor

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

24 April 2013

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED GRANT OF GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES;**
(2) PROPOSED RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS;
(3) PROPOSED APPOINTMENT OF AUDITOR;
**(4) ADOPTION OF NEW SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME;**
(5) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND
(6) NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

At the forthcoming AGM, resolutions will be proposed to seek the Shareholders' approval for, among other things, (i) the granting of the General Mandate (including the extended General Mandate) and the Repurchase Mandate to the Directors; (ii) the re-appointment and re-election of Directors; (iii) the appointment of Auditor, (iv) the adoption of New Share Option Scheme and the termination of the Existing Share Option Scheme; (v) the Amendments to the Articles of Association; and (vi) the notice of AGM.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information relating to the resolutions to be proposed at the AGM for (i) the proposed grant of the General Mandate (including the extended General Mandate) and the Repurchase Mandate; (ii) the proposed re-appointment and re-election of Directors; (iii) the proposed appointment of Auditor; (iv) the proposed adoption of New Share Option Scheme and the termination of the Existing Share Option Scheme; (v) the proposed Amendments of the Articles of Association; and (vi) the notice of AGM.

GENERAL MANDATE AND REPURCHASE MANDATE

At the AGM, the Directors propose to seek the approval of the Shareholders to grant to the Directors the General Mandate (including the extended General Mandate) and the Repurchase Mandate.

General Mandate

At the AGM, an ordinary resolution will be proposed such that the Directors be given an unconditional general mandate (i.e. the General Mandate) to allot, issue and deal with unissued Shares or underlying Shares (other than by way of rights or pursuant to a share option scheme for employees of the Company or Directors and/or any of its subsidiaries or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of the dividend on Shares in accordance with the Articles) or make or grant offers, agreements, options and warrants which might require the exercise of such power, of an aggregate amount of up to 20% of the issued Shares as at the date of granting of the General Mandate.

In addition, a separate ordinary resolution will further be approved for extending the General Mandate authorising the Directors to allot, issue and deal with Shares to the extent of the Shares repurchased pursuant to the Repurchase Mandate. Details on the Repurchase Mandate are further elaborated below.

As at the Latest Practicable Date, the Company has an aggregate of 1,808,722,861 Shares in issue. Subject to the passing of the resolutions for the approval of the General Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the General Mandate to allot, issue and deal with a maximum of 361,744,572 Shares.

Repurchase Mandate

At the AGM, an ordinary resolution will also be proposed such that the Directors be given an unconditional general mandate to repurchase Shares (i.e. the Repurchase Mandate) on the Stock Exchange of an aggregate amount of up to 10% of the issued Shares as at the date of granting of the Repurchase Mandate.

Subject to the passing of the resolution for the approval of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 180,872,286 Shares.

LETTER FROM THE BOARD

The General Mandate (including the extended General Mandate) and the Repurchase Mandate shall continue to be in force during the period from the date of passing of the resolutions for the approval of the General Mandate (including the extended General Mandate) and the Repurchase Mandate up to (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 Association, the Companies Law (Law 3 of 1961, as consolidated and revised) or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of the General Mandate (including the extended General Mandate) or the Repurchase Mandate (as the case may be) by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

An explanatory statement in connection with the Repurchase Mandate is set out in Appendix I to this circular. The explanatory statement contains all the requisite information required under the Listing Rules to be given to the Shareholders to enable them to make an informed decision on whether to vote for or against the resolution approving the Repurchase Mandate.

RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Article 108, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting. A retiring Director shall be eligible for re-election.

In accordance with Article 108, Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian shall retire from office by rotation at the AGM. Being eligible each of Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian will offer himself for re-appointment and re-election as independent non-executive Director.

At the AGM, ordinary resolutions will be proposed to re-elect each of Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian as independent non-executive Director.

Particulars relating to each of Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian are set out in Appendix II to this circular pursuant to the Listing Rules.

PROPOSED APPOINTMENT OF AUDITOR

On 21 January 2013, the Board was informed by HLM & Co (“**HLM**”) that on 16 January 2013, the practice of HLM as partnership was reorganised as HLM CPA as a limited company (the “**Reorganisation**”). As such, HLM has to resign as auditors of the Company and HLM CPA will continue to serve as Auditor.

The Board announced that HLM CPA has been appointed by the Board and approved by the audit committee as the Auditor with effect from 28 January 2013 to fill the casual vacancy occasioned by the resignation of HLM as a result of the Reorganisation and HLM CPA will hold office until the conclusion of the forthcoming AGM.

LETTER FROM THE BOARD

HLM confirmed that there were no circumstances connected with their resignation that should be brought to the notice of the Stock Exchange or the members or creditors of the Group. The Board and the audit committee of the Company further confirmed that there was no disagreement between the Company and HLM and there were no circumstances connected with HLM's resignation which should be brought to the attention of the Shareholders or creditors of the Company or the Stock Exchange.

ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted by way of written resolution of the Company on 3 June 2003. As at the Latest Practicable Date, there were 25,590,526 outstanding options granted under the Existing Share Option Scheme to subscribe for 25,590,526 Shares at the Latest Practicable Date.

Termination of the Existing Share Option Scheme

Under the terms of the Existing Share Option Scheme, the Company may by resolution in general meeting at any time terminate the Existing Share Option Scheme. It is proposed by the Directors that at the AGM, an ordinary resolution will be proposed for the Company to terminate the Existing Share Option Scheme upon the adoption of the New Share Option Scheme (such that no further options could thereafter be offered under the Existing Share Option Scheme) but in all other respects, the provisions of the Existing Share Option Scheme shall remain in force and effect and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme.

Adoption of the New Share Option Scheme

The Existing Share Option Scheme was adopted by the Company on 3 June 2003 which will expire on 2 June 2013. The Directors considered that the New Share Option Scheme, which will replace the Existing Share Option Scheme and will be valid for 10 years from the Effective Date, will provide the Company with more flexibility in long term planning of granting of the share options to eligible Participants in a longer period in the future, e.g. considering granting share options after the expiry of the Existing Share Option Scheme. The New Share Option Scheme also provides an opportunity for the Participants to participate in the equity of the Company as well as to motivate them to optimize their performance.

The rules of the New Share Option Scheme provide that the Company may specify the eligible Participant to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. Also, there is no performance target specified in the New Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage eligible Participant to acquire proprietary interests in the Company.

LETTER FROM THE BOARD

The maximum number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the New Share Option Scheme. Based on 1,808,722,861 Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued or repurchased prior to the AGM, options to subscribe for up to a maximum of 180,872,286 Shares may be granted under the New Share Option Scheme and any other schemes of the Company. Moreover, under the New Share Option Scheme, the Company may seek for Shareholders' approval to renew such 10% limit provided, inter alia, that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Existing Share Option Scheme and New Share Option Scheme and any other scheme of the Company must not exceed 30% of the Shares in issue from time to time.

The implementation of the New Share Option Scheme will be subject to and conditional upon:

- (1) the passing of an ordinary resolution at the AGM to approve the adoption of the New Share Option Scheme; and
- (2) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of any options granted under the New Share Option Scheme.

Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in the Shares, representing a maximum of 10% of the Company's issued share capital as at the date of adoption of the New Share Option Scheme, which fall to be issued pursuant to the exercise of the options granted under the New Share Option Scheme.

A summary of the principal terms of the rules of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM is set out in Appendix III to this circular. A copy of the rules of the New Share Option Scheme is available for inspection at the head office and principal place of business in Hong Kong at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours from the date hereof up to and including the date of the AGM.

VALUATION OF OPTIONS

The Directors consider that it is inappropriate to state the value of the Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date prior to its adoption by the Shareholders given that a number of variables which are necessary for the calculation of the value of the Options cannot be ascertained at this stage. Such variables include the exercise price, exercisable period, interest rate, expected stock price volatility and other variables. With a scheme life of 10 years, the Directors are of the view that it is too premature to state whether or not Options will be granted under the New Share Option Scheme, and if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility which the Share price may be subject to during the 10-year duration of the New Share Option Scheme. In the circumstances, the Directors are of the view that the value of the Options depends on a

LETTER FROM THE BOARD

number of variables which are either difficult to evaluate or can only be evaluated subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believed that any calculation of the value of the Options will not be meaningful and may be misleading to Shareholders in the circumstances.

However, in the event that the New Share Option Scheme is adopted by the Shareholders and Options are granted thereunder, the value of the Options will be given in the interim report and annual report of the Company as required by the Listing Rules.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Directors propose to seek the approval of the Shareholders by way of a special resolution the proposed Amendments to the Articles of Association at the AGM.

Under the proposed Amendments to the Articles of Association, the chairman of the Board and/or the managing director of the Company shall not be subject to retirement by rotation. This is not in full compliance with A.4.2 of the Corporate Governance Code which provides that every director should be subject to retirement by rotation at least once every three years. The Directors consider that the chairman of the Board is a key person to ensure the continuing overall strategy of the Group and such deviation from the Code of Corporate Governance is in the interests of the Company as a whole.

Details of the Amendments to the Articles of Association are set out in the notice of AGM.

AGM

A notice convening the AGM to be held at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 18 June 2013 at 11:00 a.m. is set out on pages 26 to 30 of this circular. Ordinary resolutions will be proposed at the AGM to approve, among other things, (i) the proposed grant of the General Mandate (including the extended General Mandate) and the Repurchase Mandate; (ii) the proposed re-appointment and re-election of Directors; (iii) the proposed appointment of Auditor; (iv) the proposed adoption of New Share Option Scheme and the termination of the Existing Share Option Scheme; and a special resolution will be proposed at the AGM in respect of the proposed Amendments to the Articles of Association.

A form of proxy for use at the AGM is enclosed with this circular and such form of proxy is also published at the website of the Stock Exchange at www.hkex.com.hk. Whether or not you are able to attend the AGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

All the resolutions proposed to be approved at the AGM will be taken by poll and an announcement will be made by the Company after the AGM on the results of the AGM.

RESPONSIBILITY STATEMENT

This circular, 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 circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors consider (i) the proposed grant of the General Mandate (including the extended General Mandate) and the Repurchase Mandate; (ii) the proposed re-appointment and re-election of Directors; (iii) the proposed appointment of Auditor; (iv) the proposed adoption of New Share Option Scheme and the termination of the Existing Share Option Scheme; and (v) the proposed Amendments to the Articles of Association are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

GENERAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on any resolutions to be proposed at the AGM.

Yours faithfully,
For and behalf of the Board
China Water Property Group Limited
Duan Chuan Liang
Chairman

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

1. REPURCHASE OF SECURITIES FROM CONNECTED PARTIES

The Listing Rules prohibit the Company from knowingly purchasing its securities on the Stock Exchange from a “**connected person**”, that is, a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective Associates and a connected person is prohibited from knowingly selling to the Company his/her/its securities of the Company.

No connected person of the Company has notified the Company that he/she/it has a present intention to sell any Shares to the Company nor has any such connected person undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the Repurchase Mandate is passed.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,808,722,861 fully paid Shares.

Subject to the passing of the proposed resolution for the approval of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased by the Company prior to the AGM date, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 180,872,286 fully paid Shares, representing approximately 10% of the issued share capital of the Company as at the date of passing of the resolution.

3. REASONS FOR THE REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders as a whole. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made when the Directors believe that a repurchase will benefit the Company and its Shareholders as a whole.

4. FUNDING OF REPURCHASES

Repurchases would be funded entirely from the Company’s available cash flow or working capital facilities which will be funds legally available under the Cayman Islands law and the memorandum of association of the Company and the Articles and for such purpose.

An exercise of the Repurchase Mandate in full may have a material adverse impact on the working capital and gearing position of the Company compared with those as at 31 December 2012, being the date of its latest published audited consolidated accounts. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the previous twelve calendar months immediately prior to the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2012		
April	0.73	0.57
May	0.79	0.66
June	1.01	0.66
July	0.90	0.77
August	0.85	0.60
September	0.73	0.60
October	0.69	0.58
November	0.71	0.60
December	0.71	0.59
2013		
January	0.67	0.50
February	0.62	0.56
March	0.85	0.54
April (<i>up to the Latest Practicable Date</i>)	0.65	0.58

6. DISCLOSURE OF INTERESTS AND MINIMUM PUBLIC HOLDING

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, their Associates, have any present intention to sell to the Company or its subsidiaries any of the Shares in the Company if the Repurchase Mandate is approved at the AGM.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and applicable laws of the Cayman Islands.

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase Shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, the following Shareholders are interested in more than 10% of the Shares then in issue (These figures of Shares are based upon the notifications given by the shareholders under the SFO.):

Name of Shareholder	Number of Shares	Approximate percentage holding
China Water Affairs Group Limited <i>(Note 1)</i>	393,647,830 <i>(Long Position)</i>	21.76%
Good Outlook Investments Limited	225,863,306 <i>(Long Position)</i>	12.49%
China Financial International Investments Limited <i>(Note 2)</i>	193,639,429 <i>(Long Position)</i>	10.71%
China Financial International Investments and Managements Limited <i>(Note 3)</i>	193,639,429 <i>(Long Position)</i>	10.71%
Sharp Profit Investments Limited	167,580,000 <i>(Long Position)</i>	9.27%

Notes:

- (1) Good Outlook Investments Limited and Sharp Profit Investments Limited are wholly-owned subsidiaries of China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (Stock Code: 855).
- (2) 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.
- (3) These Shares were held by China Financial International Investments and Managements Limited (“**CFIIM**”) which is owned by to 51% by Capital Focus Asset Management Limited (“**Capital Focus**”), 29% by CFIIL. Accordingly, for the purposes of the SFO, Capital Focus is deemed to have the same interests in the Company as CFIIM.

In the event that the Directors exercise in full the power to repurchase Shares in accordance with the Repurchase Mandate, the total interests of the above Shareholders in the Shares would be increased to:

Name of Shareholder	Approximate percentage holding
China Water Affairs Group Limited	24.18%
Good Outlook Investments Limited	13.87%
China Financial International Investments Limited	11.90%
China Financial International Investments and Managements Limited	11.90%
Sharp Profit Investments Limited	10.59%

On the basis of the current shareholdings of the above Shareholders, an exercise of the Repurchase Mandate in full will not result in any of them becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code.

At as the Latest Practicable Date, the Directors have no intention to exercise any of the Repurchase Mandate.

The Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in a requirement of the above Shareholders, or any other persons to make a general offer under the Takeovers Code or the number of Shares in the hands of the public falling below the prescribed minimum percentage of 25%.

7. SHARES REPURCHASE MADE BY THE COMPANY

The Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise) during the previous six months immediately prior to the Latest Practicable Date.

Detail of the Directors who will retire from office at the AGM and being eligible, will offer themselves for re-election at the AGM, are set out below:

**(1) MR. CHAN POK HIU (“MR. CHAN”)
— INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr. Chan, aged 45, was appointed as the independent non-executive Director on 16 August 2010. He was a seasoned investment banker with more than 18 years of proven track record. He has held many senior positions in various renowned international banks. While he has mainly focused his efforts on PRC deal making in recent years, he has accumulated vast experience in back office support, business management and risk control functions.

Mr. Chan has worked in Standard Bank Group for 6 years. Mr. Chan as a core member of Asia Originations Team at Standard Bank Asia Limited, Mr. Chan is responsible for originate, structure and distribute deals which cover product areas such as Investment Banking (i.e. lending), Global Markets (i.e. equities derivatives), Resource Banking (i.e. mining project financing) and Private Equities.

Before joining Standard Bank, Mr. Chan had been the operations director and alternate chief executive for Fleet National Bank, Hong Kong Branch (now part of Bank of America), responsible for the overall policy-making, direction, co-ordination, planning and control of the Branch. Previously, Mr. Chan had been with Merrill Lynch (Asia Pacific) Limited, responsible for supporting the Equities Derivatives area. Prior to Merrill Lynch, he had been with UBS as an analyst. Mr. Chan started his professional career at Chase Manhattan Bank headquarters in New York, acting as internal auditor. Mr. Chan holds a BBA and a MBA degree from Baruch College of City University of New York.

Mr. Chan is not connected with any Directors, senior management or substantial or controlling Shareholders. As at the Latest Practicable Date, Mr. Chan does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed, Mr. Chan did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

There is a three years term of service contract entered into between Mr. Chan and the Company and he will be subject to retirement by rotation in accordance with the Articles and Listing Rules. Mr. Chan’s remuneration is fixed at HK\$80,000 per annum, which is determined by the Board with reference to his duties and responsibilities within the Company, the Company’s remuneration policy and the prevailing market conditions, and is subject to approval by the remuneration committee of the Company.

There is no information relating to Mr. Chan that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there is no other matter relating to Mr. Chan that needs to be brought to the attention of the Shareholders and the Stock Exchange.

**(2) MR. WONG CHI MING (“MR. WONG”)
— INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr. Wong, aged 36, was appointed as the independent non-executive Director on 16 August 2010. He was graduated from the Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy. He has over 10 years of extensive experience in the fields of audit, accounting, taxation and corporate finance. He is a member of the Hong Kong Institute of Certified Public Accountants. He is currently a practicing director of a Hong Kong based medium size certified public accountants firm.

Mr. Wong is not connected with any Directors, senior management or substantial or controlling Shareholders. As at the Latest Practicable Date, Mr. Wong does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed, Mr. Wong did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

There is a three years term of service contract entered into between Mr. Wong and the Company and he will be subject to retirement by rotation in accordance with the Articles and Listing Rules. Mr. Wong’s remuneration is fixed at HK\$80,000 per annum, which is determined by the Board with reference to his duties and responsibilities within the Company, the Company’s remuneration policy and the prevailing market conditions, and is subject to approval by the remuneration committee of the Company.

There is no information relating to Mr. Wong that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there is no other matter relating to Mr. Wong that needs to be brought to the attention of the Shareholders and the Stock Exchange.

**(3) MR. WANG JIAN (“MR. WANG”)
— INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr. Wang, aged 42, was appointed as the independent non-executive Director on 21 April 2011. He was graduated from the Jiangsu Yangzhou University with a bachelor degree in economics in 1992. Mr. Wang is currently the vice president of the Shenzhen City Jin Ruige Finance Guarantee Company Limited[#] (深圳市金瑞格融資擔保有限公司). He has served as the Industrial and Commercial Bank of China Yangzhou branch credit manager, the vice president of Yangzhou Property Hua Li Company Limited[#] (揚州華利房地產集團有限公司), the general manager of Beijing Hua Ding Times Investments Company Limited[#] (北京華鼎時代投資有限公司) and vice general manager of Shenzhen Zhong Ke Zhi Investment Guarantee Company Limited[#] (深圳中科智投融資擔保有限公司). He has over 20 years extensive experience in financial management, corporate finance, capital management, property development project financing and corporate operational management.

Mr. Wang is not connected with any Directors, senior management or substantial or controlling Shareholders. As at the Latest Practicable Date, Mr. Wang does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed, Mr. Wang did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

There is a three years term of service contract entered into between Mr. Wang and the Company and he will be subject to retirement by rotation in accordance with the Articles and Listing Rules. Mr. Wang’s remuneration is fixed at HK\$80,000 per annum, which is determined by the Board with reference to his duties and responsibilities within the Company, the Company’s remuneration policy and the prevailing market conditions, and is subject to approval by the remuneration committee of the Company.

There is no information relating to Mr. Wang that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there is no other matter relating to Mr. Wang that needs to be brought to the attention of the Shareholders and the Stock Exchange.

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

This appendix sets out further information of the New Share Option Scheme and also summarizes the rules of the New Share Option Scheme but does not form part thereof nor was it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme.

(a) SUMMARY OF TERMS OF THE NEW SHARE OPTION SCHEME

(i) Purpose of the Scheme

The purpose of the New Share Option Scheme is to enable the Group to grant options (the “**Options**”) to selected participants as incentive or rewards for their contribution to the Group.

(ii) Who may join

The Directors (which expression shall, for the purpose of the rules of the New Share Option Scheme as summarized herein, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants (the “**Eligible Participants**”) to take up options to subscribe for the Shares:

- (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) (the “**Eligible Employee**”) of the Company, any of its subsidiaries (each a “**Subsidiary**”) or any entity (the “**Invested Entity**”) in which any member of the Group holds any equity interests;
- (b) any non-executive directors (including independent non-executive directors) of the Company, any Subsidiary or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of this Scheme, the Offer may be made to any company wholly owned by one or more Eligible Participants.

For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of Option under the New Share Option Scheme.

The eligibility of any of the above classes of participants to an offer for the grant of any Option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

(iii) Maximum number of Shares

- (a) The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under this Scheme and any other share option schemes adopted by the Group shall not exceed 30 per cent. of the share capital of the Company in issue from time to time. No options may be granted under the New Share Option Scheme or any other share option scheme adopted by the Group if the grant of such option will result in the limit referred hereto being exceeded.
- (b) The total number of Shares which may be allotted and issued upon exercise of all Options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Share Option Scheme and any other share option scheme of the Group) to be granted under this Scheme and any other share option scheme of the Group must not in aggregate exceed 10 per cent. of the Shares in issue at the time dealings in the Shares as at the time of adoption of this New Share Option Scheme (“**General Scheme Limit**”).
- (c) subject to paragraph (a) above, the Company may seek approval of its shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option scheme of the Group must not exceed 10 per cent. of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the New Share Option Scheme and any other share option scheme of the Group) previously granted under the New Share Option Scheme and any other share option scheme of the Group will not be counted. The Company must send a circular to the Shareholders containing such information as required under the Listing Rules; and
- (d) subject to paragraph (a) above, the Company may also seek separate shareholders' approval in general meeting to grant Options under the New Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (c) to Eligible Participants specifically identified by the Company before such approval is sought.

(iv) Maximum entitlement of each participant

Unless with separate shareholders' approval in general meeting, the total number of Shares issued which may fall to be issued upon exercise of the Options and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company for the time being. Where any further grant of Options to a grantee under the New Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the New Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

(v) Grant of options to connected persons

- (a) Any grant of Options under the New Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associates is also the proposed grantee of the Options).
- (b) Where any grant of Options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (aa) representing in aggregate over 0.1 per cent. of the Shares in issue; and
 - (bb) having an aggregate value, based on the closing price of the Shares at the Offer Date of each Offer, in excess of HK\$5 million;

such further grant of options must be approved by the shareholders of the Company in general meeting.

(vi) Time of acceptance and exercise of Option

An Option may be accepted by a participant with 21 days from the date of the offer for the grant of the Option.

An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors, there is no minimum period required under the New Share Option Scheme for the holding of an Option before it can be exercised.

(vii) Performance targets

Unless otherwise determined by the Directors, there are performance targets for the grantee to meet before any Options granted under the New Share Option Scheme can be exercised. No performance targets are specifically stipulated under the New Share Option Scheme.

(viii) Subscription price for the Shares and consideration for the Option

The subscription price in respect of any Option shall, subject to any adjustments made pursuant to the New Share Option Scheme, be at the discretion of the Directors, provided that it shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and
- (c) the nominal value of a Share.

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of the Options.

(ix) Ranking of the Shares

The Shares to be allotted and issued upon the exercised of an Option will be subject to the articles of association of the Company for the time being and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the Option is duly exercised.

(x) Restriction on the time for the grant of Options

For so long as the Shares are listed on the Stock Exchange:

the Company may not grant any Options or make any Offer after inside information has come to its knowledge until it has announced the information. In particular, the Company may not grant any Option during the period commencing one month immediately before the earlier of:

- (1) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

the Company may not make any Offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) Period of the New Share Option Scheme

The New Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the New Share Option Scheme becomes unconditional.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) shall lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation which will be taken to be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 3 months following the date of cessation which date shall be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa)(1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between such grantee or his associate on the one part and the Group or any Invested Entity on the other part; or (2) the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of the Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, with appropriate changes, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the shareholders of the Company, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, with appropriate changes, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of the Shares to which the Share Option Scheme relates and/or the subscription price of the option concerned and/or the number of Shares comprised in an option granted under the Share Option Scheme, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital of the Company to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

(xxi) Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi) above; and
- (bb) the expiry of the periods or dates referred to in paragraphs (xii), (xiii), (xiv), (xv), (xvii) and (xviii) above.

(xxiv) Miscellaneous

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of the Company in general meeting.

NOTICE OF AGM



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting of China Water Property Group Limited (the “**Company**”) will be held at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 18 June 2013 at 11:00 a.m., to transact the following ordinary business:

1. to receive and approve the audited consolidated financial statements and the reports of the directors (the “**Director**”) and auditor of the Company for the year ended 31 December 2012;
2.
 - (a) to re-elect Mr. Chan Pok Hiu as independent non-executive Director;
 - (b) to re-elect Mr. Wong Chi Ming as independent non-executive Director;
 - (c) to re-elect Mr. Wang Jian as independent non-executive Director; and
 - (d) to authorise the board of Directors to fix the Directors’ remuneration;
3. to appoint HLM CPA Limited as the auditor of the Company and its subsidiaries (the “**Group**”) and to authorise the board of Directors to fix their remuneration of the Group’s auditor;

and, as special business, consider and, if thought fit, passing the following resolutions as ordinary resolutions:

4. “**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 (as defined below);

NOTICE OF AGM

(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 association of the Company (the “**Articles of Association**” or “**Articles(s)**”) 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:

(aa) 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

(bb) (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 resolution no. 5),

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 Association, Companies Law (Law 3 of 1961, as consolidated and revised) (“**Companies Law**”) or any other applicable laws of the 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;

“**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

NOTICE OF AGM

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 recognized regulatory body or any stock exchange outside Hong Kong).”

5. **“THAT:**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Law and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) 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 Association, Companies Law or any other applicable laws of the 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.”

6. **“THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”

7. **“THAT:**

- (a) conditional upon the adoption of the New Share Option Scheme pursuant to Resolution No. 7(b) below, the termination of the Existing Share Option Scheme be and is hereby approved;

NOTICE OF AGM

- (b) conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the shares of HK\$0.10 each in the capital of the Company (the “**Shares**”) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the new share option scheme (a copy of which is produced to the Meeting and signed by the chairman of this Meeting for the purpose of identification) (the “**New Share Option Scheme**”), the New Share Option Scheme be and is hereby approved and adopted by the Company and the Directors be and are hereby authorized to allot, issue and deal in the Shares pursuant to the exercise of any options which may fall to be granted under the New Share Option Scheme and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme, and that to the extent permissible under the Articles of Association of the Company, the Listing Rules and the rules of the New Share Option Scheme, the Directors may vote in respect of any resolution(s) under or affecting the New Share Option Scheme (including the granting of options thereunder or approving the allotment and issue of Shares upon exercise of options thereunder) notwithstanding any interest(s) of any Director(s); and
- (c) the aggregate nominal amount of share capital to be allotted and issued pursuant to Resolution No. 7(b) above, together with any issue of Shares upon the exercise of any options granted under any other share option schemes as may from time to time be adopted by the Company, shall not exceed 10 per cent of the Shares in issue as at the date of the passing of this resolution.”

and, as special business, consider and, if thought fit, passing the following resolution as a special resolution:

8. “**THAT** the Articles of Association be amended in the following manner:

By deleting the existing Article 108(A) in its entirety and substituting therefor with the following:

- 108(A) At each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.”

By Order of the Board
China Water Property Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 24 April 2013

NOTICE OF AGM

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

*Head office and principal place
of business in Hong Kong:*
Suite 6208, 62nd Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint one, or if he is holder of more than one share, more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the annual general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the annual general meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the annual general meeting or any adjournment thereof, should he/she/it so wish and in such event, the form of proxy shall be deemed to be revoked.
3. Concerning ordinary resolution no. 2 above, Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian will hold office until the annual general meeting and, being eligible, offer themselves for re-appointment and re-election at the annual general meeting. Details of these Directors are set out in Appendix II to the circular dated 24 April 2013, of which this notice forms part (the "**Circular**").
4. In relation to proposed resolutions nos. 4 and 6 above, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorise the allotment and issue of shares of the Company under the Listing Rules. The Directors have no immediate plans to issue any new shares of the Company other than Shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
5. In relation to proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase Shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the Listing Rules is set out in Appendix I to this Circular.