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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 a stockbroker or other registered dealer in securities, a 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 together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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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) DISCLOSEABLE TRANSACTION: ACQUISITION OF 60% EQUITY INTEREST OF A REAL ESTATE PROJECT IN HANGZHOU, THE PRC, INVOLVING ISSUE OF CONSIDERATION SHARES;
(2) PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held on (Thursday) 24 June 2010 at 10:30 a.m. at Room 1816-17, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong is set out on pages 16 to 19 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

7 June 2010

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DEFINITIONS

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

“Agreement”	the formal conditional sale and purchase agreement for the Possible Acquisition dated 21 May 2010 entered into between the Purchaser and the Vendor
“Amendments”	the proposed amendments to the Share Option Scheme as to be adopted by the Company
“associates”	has the meaning ascribed to this terms under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (not being Saturdays, Sunday or public holidays) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Water Property Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Possible Acquisition pursuant to the terms and conditions of the Agreement
“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Consideration Shares”	together the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche)
“Consideration Shares (First Tranche)”	the 392,045,454 new Shares to be allotted and issued by the Company at the Issue Price to the Vendor (or its nominee) in accordance with the terms of the Agreement as part of the consideration for the Possible Acquisition
“Consideration Shares (Second Tranche)”	the 130,681,818 new Shares to be allotted and issued by the Company at the Issue Price to the Vendor (or its nominee) in accordance with the terms of the Agreement as part of the consideration for the Possible Acquisition
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of, among other matters, approving (i) the Possible Acquisition and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Consideration Shares; and (ii) the Amendments to the Share Option Scheme
“Group”	the Company and its subsidiaries
“HK Subsidiary”	HK Mei Lai International (Canada) Limited, a company incorporated in Hong Kong and is owned as to 100% by the Vendor
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Issue Price”	HK\$0.15 per Consideration Share
“Latest Practicable Date”	4 June 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Possible Acquisition”	the acquisition of the Sale Shares and the Sale Loan and the transactions contemplated thereunder
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Property”	the property located in southern side of intersection of Yingbin Road and Wengmei Road, Nanyuan Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC held by the Target Company under the land use right certificate number 杭余出國用[2010]第103-235號(Hang Yu Chu Guo Yong 2010-103-235#)

DEFINITIONS

“Purchaser”	China Water Property (Hong Kong) Development Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Sale Loan”	approximately 60% of all obligation, indebtedness and liabilities due, owing or incurred by the HK Subsidiary and the Target Company to the Vendor as at Completion, whether actual, contingent or deferred and irrespective whether or not the same is due and payable on Completion
“Sale Shares”	the 6,000 ordinary shares of HK\$1.00 each in the issued share capital of the HK Subsidiary, representing 60% of the issued share capital of the HK Subsidiary
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme of the Company adopted by the Company on 3 June 2003
“sq m”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	杭州尼加拉置業有限公司(Hangzhou Niagara Real Estates Co., Ltd.#), a company established in the PRC and the owner of the Property
“Target Group”	together the HK Subsidiary and the Target Company
“Vendor”	鄭廷玉(Zheng Tingyu#), a PRC citizen and the beneficial owner of 100% equity interest of the HK Subsidiary
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America

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

Amounts denominated in RMB and US\$ in this circular have been converted into HK\$ at the rate of HK\$1 = RMB0.88 and US\$1 = HK\$7.80, respectively, for illustration purposes only.

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:

Mr. But Ka Wai
Ms. Wang Wenxia
Mr. But Chai Tong
Mr. Sun Zhen Yu
Mr. Ren Qian

Registered office:

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

Non-executive Director:

Mr. Zhou Kun

*Head office and principal place of
business in Hong Kong:*

Room 1816-17, 18/F
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

Independent non-executive Directors:

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

7 June 2010

To the Shareholders

Dear Sir or Madam,

- (1) DISCLOSEABLE TRANSACTION: ACQUISITION OF 60% EQUITY INTEREST OF A REAL ESTATE PROJECT IN HANGZHOU, THE PRC, INVOLVING ISSUE OF CONSIDERATION SHARES;**
(2) PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 23 May 2010 in which the Board announced that on 21 May 2010, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to dispose of the Sale Shares and Sale Loan for a total consideration of RMB87,000,000. In addition, the Company proposes to amend certain terms and conditions of the Share Option Scheme as proposed in this circular. Details of the Possible Acquisition and the Amendments have been set out herein for your reference.

LETTER FROM THE BOARD

The Possible Acquisition and the Amendments are subject to the approval of the Shareholders at the EGM. The purpose of this circular is to provide you with information in relation to the Possible Acquisition and the proposed Amendments and the notice of EGM.

THE AGREEMENT

Date:

21 May 2010

Parties:

The Purchaser as the purchaser of the Sale Shares and the Sale Loan

The Vendor as the vendor for the Sale Shares and the Sale Loan

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party and as at the Latest Practicable Date, the Vendor and its respective associates do not hold any Shares or other securities in the Company.

The Purchaser, being a wholly owned subsidiary of the Company, is an investment holding company incorporated in Hong Kong.

The Vendor is a PRC citizen and a merchant and the sole beneficial owner of the HK Subsidiary prior to the entering into of the Agreement.

The Vendor intends to hold the Consideration Shares for investment purpose and has no intention to nominate or appoint Directors to the Board. The Agreement does not confer any rights to the Vendor to nominate or appoint Directors to the Board.

Assets to be acquired

Pursuant to the Agreement, it was agreed, among others, that the Purchaser will acquire and the Vendor shall sell the Sale Shares and the Sale Loan. The Sale Shares represent 60% of the issued share capital of the HK Subsidiary, and the Sale Loan represents approximately 60% of the entire outstanding loan owed by the HK Subsidiary and the Target Company to the Vendor.

As at the date of the Agreement, the Sale Loan owed by the HK Subsidiary to the Vendor amounts to approximately RMB50,048,000 and the Sale Loan owed by the Target Company to the Vendor amounts to approximately RMB72,090,000. As at 31 March 2010, the total outstanding loans owned by the HK Subsidiary and the Target Company to the Vendor amount to approximately RMB122,138,000.

The HK Subsidiary is the beneficial owner of all registered capital of the Target Company.

LETTER FROM THE BOARD

After Completion, the HK Subsidiary shall become a 60% owned subsidiary of the Purchaser and the Purchaser shall be effectively interested in the 60% of the registered capital of the Target Company.

Consideration

The total consideration for the Possible Acquisition is RMB87,000,000 (equivalent to approximately HK\$98,864,000) and shall be settled by the Purchaser in the following manner (or such other manner as the parties thereto may agree):

- (i) as to the initial deposit (the “**Initial Deposit**”) of a total of RMB8,000,000 (equivalent to approximately HK\$9,091,000) shall be paid in cash by the Purchaser to the Vendor within five Business Days following the signing of the Agreement;
- (ii) as to RMB10,000,000 (equivalent to approximately HK\$11,364,000) shall be payable by way of cash by the Purchaser to the Vendor at Completion;
- (iii) as to RMB51,750,000 (equivalent to approximately HK\$58,807,000) shall be payable by the Purchaser by procuring the Company to issue and allot the Consideration Shares (First Tranche) at the Issue Price to the Vendor (or its nominee) at Completion; and
- (iv) the remaining balance of RMB17,250,000 (equivalent to approximately HK\$19,602,000) shall be payable by the Purchaser by procuring the Company to issue and allot the Consideration Shares (Second Tranche) at the Issue Price to the Vendor (or its nominee) on the date falling six months after the Completion (the “**Second Tranche Date**”).

For the purpose of calculation of the consideration for the Possible Acquisition, the exchange rate shall be calculated on the basis that HK\$1.00 for RMB0.88.

The consideration for the Sale Shares and the Sale Loan together with the capital commitment to be paid by the Company in respect of the Target Company (as disclosed below) was determined after arm’s length negotiations between the Vendor and the Purchaser after considering various factors, including (i) the valuation of the Property by an independent professional valuer; (ii) the amount of the Sale Loan; (iii) the net assets value of the Target Company as at 30 April 2010; (iv) the Profit Guarantee provided by the Vendor to the Purchaser; and (v) the expected costs and expenses for the Possible Acquisition.

The valuation of the Property by the independent professional valuer amounts to approximately RMB140,000,000 as at 20 May 2010. Further, as at the date hereof, the Sale Loan represents approximately 60% of the entire outstanding loan owed by the HK Subsidiary and the Target Company to the Vendor. In addition, as disclosed in the paragraph headed “Profit Guarantee” below, the Vendor has guaranteed and warranted to the Purchaser a guaranteed profit of the Target Company of not less than RMB400,000,000 and to indemnify the Purchaser for any shortfall of such guaranteed profit. In light of the growing potential of the Target Company, the Directors (including the independent non-executive Directors) consider that the consideration for the Sale Shares and the Sale Loan together with the capital commitment to be paid by the Company in respect of the Target Company is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The funding for the cash consideration will be from the internal resources of the Group. In the event that Completion does not take place as stipulated or the conditions precedent cannot be fulfilled, the Vendor shall refund the Initial Deposit to the Purchaser and neither party shall have any obligations and liabilities under the Agreement.

Capital Commitment

Pursuant to the Agreement, within ten days following the Completion, the Purchaser shall be responsible for satisfying the capital commitment to the outstanding unpaid registered capital of the Target Company. The unpaid registered capital of the Target Company amounts to approximately US\$7,571,163 (equivalent to approximately HK\$59,055,000), which accounted for approximately 50.80% of the total registered capital of the Target Company. The funding for the capital commitment will be from the internal resources of the Group.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

1. all necessary consents and approvals required to be obtained on the part of the Vendor and the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;
2. no event, fact or situation that will cause the breaches or the possible breaches of warranties or terms of the Agreement by the Vendor;
3. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
4. the passing by the Shareholders of ordinary resolution(s) approving the transactions contemplated under the Agreement, including but not limited to the allotment and issue of the Consideration Shares;
5. the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the legality and the validity in respect to the establishment and subsistence of the Target Company and the transactions contemplated under the Agreement; and
6. the Purchaser being satisfied with the results of the due diligence to be conducted on the assets, liabilities, operations and affairs of the HK Subsidiary and the Target Company.

LETTER FROM THE BOARD

None of the above conditions can be waived by the parties to the Agreement. If the conditions are not fulfilled on or before 31 July 2010 (or such later date as the parties to the Agreement may agree), the Agreement shall cease and terminate and thereafter neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches thereof. As at the date of this circular, none of the above conditions has been fulfilled.

Completion

Completion shall take place on the date falling the second Business Day after all the conditions of the Agreement have been fulfilled or such later date as may be agreed between the parties thereto.

Profit Guarantee

The Vendor has guaranteed and warranted to the Purchaser that the audited profit before taxation of the Target Company for the period from Completion ending 31 December 2012 or the date of the sale of all units of the Property, whichever is earlier (or such longer period as may be agreed between the parties to the Agreement) (the “**Guaranteed Period**”), shall not be less than RMB400,000,000 (the “**Guaranteed Profit**”). In the event the Guaranteed Profit is not achieved, the Vendor shall indemnify the Purchaser in cash (or such other method as the parties to the Agreement may agree) an amount equivalent to the shortfall which will be equal to the difference between the actual profit before taxation of the Target Company for the Guaranteed Period and the Guaranteed Profit.

Further announcement will be made by the Company in the event that the Guaranteed Profit is not achieved.

THE CONSIDERATION SHARES

The 522,727,272 Consideration Shares will be issued at an Issue Price of HK\$0.15 per Consideration Share, credited as fully paid.

The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

- (i) a premium of approximately 26.05% over the closing price of HK\$0.119 per Share as quoted on the Stock Exchange on 20 May 2010, being the last trading day immediately prior to the entering into of the Agreement;

LETTER FROM THE BOARD

- (ii) a premium of approximately 20.58% to the average closing price of approximately HK\$0.1244 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 20 May 2010, being the last trading day immediately prior to the entering into of the Agreement;
- (iii) a premium of approximately 17.83% to the average closing price of approximately HK\$0.1273 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 20 May 2010, being the last trading day immediately prior to the date of the Agreement; and
- (iv) a premium of approximately 26.05% to the closing price of HK\$0.119 per Share as quoted on the Latest Practicable Date.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM and will be allotted and issued on the date of Completion and the Second Tranche Date for the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche) respectively.

The Consideration Shares represent (i) approximately 4.58% of the existing issued share capital of the Company as at the date of the announcement of the Company dated 23 May 2010; (ii) approximately 4.58% of the issued share capital of the Company as at the Latest Practicable Date but before the issue and allotment of the Consideration Shares; and (iii) approximately 4.38% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Vendor undertakes to the Purchaser that it will not, within the period commencing on the date of Completion and ending on the date falling three months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of 50% of the Consideration Shares issued or any interests therein or grant any options or rights in respect of 50% of the Consideration Shares issued without prior approval from the Purchaser. The Vendor undertakes to the Purchaser that it will not, within the period commencing on the date of Completion and ending on the date falling six months after Completion, transfer or otherwise dispose of or create any encumbrances or other rights in respect of the other 50% of the Consideration Shares issued or any interests therein or grant any options or rights in respect of the other 50% of the Consideration Shares issued without prior approval from the Purchaser.

The Issue Price was determined by the Board after taking into consideration of various factors including, the market price of the Shares. The Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Application for listing

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

LETTER FROM THE BOARD

CHANGE IN SHAREHOLDINGS

The changes in the shareholding structure of the Company as a result of the allotment and issue of the Consideration Shares are as follows:

Shareholders	Issued share capital as at the Latest Practicable Date		Issued share capital immediately after allotment and issue of the Consideration Shares (First Tranche) but before the allotment and issue of the Consideration Shares (Second Tranche)		Issued share capital immediately after allotment and issue of the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche)	
	<i>No. of Shares</i>	<i>Approximate Percentage</i>	<i>No. of Shares</i>	<i>Approximate Percentage</i>	<i>No. of Shares</i>	<i>Approximate Percentage</i>
China Water Affairs Group Limited and its associates	3,318,039,504	29.08%	3,318,039,504	28.12%	3,318,039,504	27.81%
The Vendor	-	-	392,045,454	3.32%	522,727,272	4.38%
Mr. But Ka Wai and his associates (<i>Note 1</i>)	16,664,000	0.15%	16,664,000	0.14%	16,664,000	0.14%
Public Shareholders						
Highest Growth Holdings Limited	846,228,234	7.42%	846,228,234	7.17%	846,228,234	7.09%
Sunshine Capital Investments Group Limited (<i>Note 2</i>)	705,062,216	6.18%	705,062,216	5.98%	705,062,216	5.91%
Other Public Shareholders	6,521,755,306	57.17%	6,521,755,306	55.27%	6,521,755,306	54.67%
Total	<u>11,407,749,260</u>	<u>100.00%</u>	<u>11,799,794,714</u>	<u>100.00%</u>	<u>11,930,476,532</u>	<u>100.00%</u>

Notes:

- Mr. But Ka Wai is the Chairman and an executive Director of the Company.
- Ms. Wang Wenxia, the Vice Chairman and an executive Director of the Company, is also the chairman and an executive director of Sunshine Capital Investments Group Limited, a listed company in Hong Kong.

LETTER FROM THE BOARD

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The HK Subsidiary is a company incorporated in Hong Kong and is principally engaged in investment holdings.

The Target Company is a company established in Hangzhou, the PRC and is principally engaged in property development and construction in the PRC. The Target Company is held as to 100% by the HK Subsidiary. After completion of the Possible Acquisition, the Purchaser shall be effectively interested in 60% of the entire registered capital of the Target Company.

The Target Company is currently holding the Property located in southern side of intersection of Yingbin Road and Wengmei Road, Nanyuan Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC. The location of the Property is situated on the master planned Central Business District in Yuhang district with a total site area of 16,448 sq m and will be adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou Metro Line 1. The Property will comprise of three high-rise towers including office and hotel service apartment built on a four-storey high retail podium, offering a total gross floor area of 116,290 sq m.

Set below is the financial information of the Target Company for the period from 23 February 2009 (date of its establishment) to 30 April 2010 as prepared under the general accepted accounting principles in the PRC:

	For the period ended 30 April 2010 <i>RMB'000</i> (Unaudited)
Loss before and after taxation	1,837
Net asset value at 30 April 2010	48,211

After completion of the Possible Acquisition, the Target Group will be treated as subsidiaries of the Group and their results will be consolidated in the consolidated financial statements of the Group.

REASONS FOR THE POSSIBLE ACQUISITION

The principal activities of the Group comprise of property development and property investment in the PRC and its subsidiaries also engaged in packaged food and healthcare product business.

The principal business of the Target Company is the development and construction of the Property in Hangzhou City. The Company is of the view that future development on the Property will generate considerable revenue and realize the financial benefit to the Group. In order to strengthen the Group's position in property development in the PRC, the Group believes that the Possible Acquisition is in the interest of the Shareholders as it would provide a good opportunity for the Company to further participate in property development in Zhejiang Province, the PRC.

LETTER FROM THE BOARD

The Possible Acquisition is also in line with the Group's business strategy. Reference is also made to the circular dated 20 April 2010 in relation to the acquisition of another property project in Hangzhou. It is expected that the Possible Acquisition will further strengthen the market position of the Group in Hangzhou City property market and will have synergistic effect with other property project of the Group in the PRC property projects of the Group in the PRC.

In light of the growing potential of the Target Company, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Possible Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider the issue of Consideration Shares as Consideration for the Possible Acquisition is fair and reasonable and in the best interest of the Shareholders as a whole as it is the best financing method for the Company given that the Company would not need to use a substantial amount of its existing cash resources to fund the Possible Acquisition.

LISTING RULES IMPLICATION

The Possible Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

The issue and allotment of the Consideration Shares will require the specific mandate from the Shareholders to be sought at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Possible Acquisition and accordingly no Shareholders will be required to abstain from voting at the EGM. The Company will seek Shareholders' approval for the Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Consideration Shares at the EGM.

PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME

In order to allow the Board to have more flexibility in the administration of the Share Option Scheme and to comply with the Supplementary Guidance issued by the Stock Exchange on Listing Rule 17.03(13) on 5 September 2005, the Board proposes to amend the terms and conditions of the Share Option Scheme as set out below.

Clause 6.4(a) of the Share Option Scheme provides that if the grantee is an eligible employee of the Group, the grantee may exercise all outstanding options granted to him/her within a period of 12 months following the date of cessation of employment which date shall be the last day following on which the grantee was at work with the Group, or such longer period as the Directors may determine.

LETTER FROM THE BOARD

Clause 9 of the Share Option Scheme sets out the adjustment provision of the exercise price and/or the number of Shares subject to options already granted in the event of alternation of capital structure of the Company whilst any options remains exercisable and the Share Option Scheme remains in effect. The Stock Exchange issued a Supplementary Guidance on Main Board Listing Rules 17.03(13) and the notes immediately after the Rule (the “Supplementary Guidance”) on 5 September 2005 regarding adjustments to the exercise price of share options in the event of certain corporate activities occur.

It is proposed to delete the words “12 months” in Clause 6.4(a) of the Share Option Scheme and substituting therewith the words “3 months” immediately after the words “following the date of cessation of employment”.

It is further proposed to delete the existing Clause 9.1 of the Share Option Scheme in its entirety and replaced by the following new Clause 9.1:

“9.1 In the event of any alternation in the capital structure of the Company whilst any Option remains exercisable or the Scheme remains in effect, and such event arises from a capitalisation issue, rights issue or other offer of securities to the Shareholders (including any securities convertible into share capital or warrants or options to subscriber for any share capital of the Company, but excluding Options under the Scheme and options under any other similar employee share option scheme of the Company), repurchase, sub-division or consolidation of the Shares or reduction of capital in the Company or otherwise howsoever (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party) then, in any such case (other than in the case of capitalisation of profits or reserves), the Company shall instruct the Auditor or an independent financial adviser to certify in writing:

- (A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to
 - (i) the number or nominal amount of Shares to which the Scheme or any Option(s) relates (insofar as it is/they are unexercised); and/or
 - (ii) the Subscription Price; and/or
 - (iii) the maximum number of Shares referred to in Clauses 8.1 and 8.2; and/or
 - (iv) the method of the exercise of the Options,

or any combination thereof, as an independent financial adviser appointed by the company or the Auditors shall certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that:

- (i) any such alterations shall give a Grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled;

LETTER FROM THE BOARD

- (ii) any such alternation shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
 - (iii) no such alterations shall be made the effect of which would be to enable any Share to be issued at less than its nominal value; and
 - (iv) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment.
- (B) in respect of any such adjustment, other than any made on capitalisation issue, the independent financial adviser or the Auditors must confirm to the Directors in writing that the adjustment so made satisfies the requirements of Rule 17.03(13) of the Listing Rules, the supplementary guidance issued by the Stock Exchange on 5 September 2005, any relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange and the note thereto from time to time.”

Such Amendments shall be effected by way of an addendum to be attached to the Share Option Scheme.

Such Amendments shall be take effect on the date of EGM.

Save as disclosed herein, there are no other changes to the terms and conditions of the Share Option Scheme. The terms of the Share Option Scheme and the addendum for the Amendments are available for inspection by the Shareholders in the principal place of business of the Company in Hong Kong during normal business hours on Business Days up to and including the date of EGM.

EGM

A notice convening the EGM to be held at Room 1816-17, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on (Thursday) 24 June 2010 at 10:30 a.m. is set out on pages 16 to 19 of this circular.

To the best of the Directors' knowledge, information and belief of the Directors having made all reasonable enquiries, there are no Shareholders having a material interest in the Possible Acquisition and the Amendments and accordingly no Shareholders are required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the respective terms of the Possible Acquisition and the Amendments are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions approving the Possible Acquisition and the Amendments as set out in the notice of the EGM.

RESPONSIBILITY STATEMENT

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

By order of the Board
China Water Property Group Limited
Wang Wenxia
Vice Chairman

NOTICE OF EGM



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 IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China Water Property Group Limited (the “**Company**”) will be held at Room 1816-17, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on (Thursday) 24 June 2010 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the conditional agreement (the “**Agreement**”, details of which are disclosed in the circular of the Company dated 7 June 2010 (the “**Circular**”) dated 21 May 2010 entered into between China Water Property (Hong Kong) Development Limited, a wholly-owned subsidiary of the Company, as purchaser (the “**Purchaser**”) and 鄭廷玉 (Zheng Tingyu[#]) as vendor (the “**Vendor**”) in relation to, among other matters, the sale and purchase of the 6,000 ordinary shares of HK\$1.00 each in the issued share capital of HK Mei Lai International (Canada) Limited (“**HK Subsidiary**”) (the “**Sale Shares**”) and approximately 60% of the sum of the outstanding loans (the “**Sale Loan**”) owed by the HK Subsidiary and 杭州尼加拉置業有限公司 (Hangzhou Niagara Real Estates Co., Ltd.[#]) to the Vendor on completion of the Agreement for a total consideration of RMB87,000,000 (equivalent to approximately HK\$98,864,000) (a copy of the Agreement is marked “A” and produced to the Meeting and signed by the chairman of the Meeting (the “**Chairman**”) for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;
- (b) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder; and
- (c) the allotment and issue of the Consideration Shares (as defined in the Circular) credited as fully paid at the Issue Price (as defined in the Circular) to the Vendor in accordance with the terms and conditions of the Agreement and the transactions contemplated thereunder be and is hereby approved.”

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2. **“THAT** the Share Option Scheme adopted by the Company on 3 June 2003 (the **“Share Option Scheme”**), copy of which has been produced to the Meeting marked **“B”** and signed by the Chairman for identification purpose, be amended as follows:

- (a) Clause 6.4(a)

by deleting the words **“12 months”** and substituting therewith the words **“3 months”** immediately after the words **“following the date of cessation of employment”** in Clause 6.4(a) of the Share Option Scheme;

- (b) Clause 9.1

the existing Clause 9.1 of the Share Option Scheme in its entirety and replaced by the following new Clause 9.1:

“9.1 In the event of any alternation in the capital structure of the Company whilst any Option remains exercisable or the Scheme remains in effect, and such event arises from a capitalisation issue, rights issue or other offer of securities to the Shareholders (including any securities convertible into share capital or warrants or options to subscriber for any share capital of the Company, but excluding Options under the Scheme and options under any other similar employee share option scheme of the Company), repurchase, sub-division or consolidation of the Shares or reduction of capital in the Company or otherwise howsoever (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party) then, in any such case (other than in the case of capitalisation of profits or reserves), the Company shall instruct the Auditor or an independent financial adviser to certify in writing:

- (A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to

(i) the number or nominal amount of Shares to which the Scheme or any Option(s) relates (insofar as it is/they are unexercised); and/or

(ii) the Subscription Price; and/or

(iii) the maximum number of Shares referred to in Clauses 8.1 and 8.2; and/or

(iv) the method of the exercise of the Options,

or any combination thereof, as an independent financial adviser appointed by the company or the Auditors shall certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that:

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- (i) any such alterations shall give a Grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled;
 - (ii) any such alternation shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
 - (iii) no such alterations shall be made the effect of which would be to enable any Share to be issued at less than its nominal value; and
 - (iv) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment.
- (B) in respect of any such adjustment, other than any made on capitalisation issue, the independent financial adviser or the Auditors must confirm to the Directors in writing that the adjustment so made satisfies the requirements of Rule 17.03(13) of the Listing Rules, the supplementary guidance issued by the Stock Exchange on 5 September 2005, any relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange and the note thereto from time to time.”;

and the above amendments to the Share Option Scheme (the “**Amendments**”) be and are hereby approved and adopted and any director(s) of the Company be and is hereby authorized to do all such acts and execute such documents as may be necessary, desirable or expedient in order to give full effect to the Amendments to the Share Option Scheme.”

By order of the Board
China Water Property Group Limited
Wang Wenxia
Vice Chairman

Hong Kong, 7 June 2010

NOTICE OF EGM

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

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:*
Room 1816-17, 18/F
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

Notes:

1. Any member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies (if the member is a holder of two or more shares) to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above Meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.
4. Amounts denominated in RMB in this notice has been converted into HK\$ at the rate of HK\$1 = RMB0.88 for illustration purpose only.
5. The voting on the resolution at the Meeting will be conducted by way of a poll.