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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other 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 was effected for transmission to the purchaser or the transferee.

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This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



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)

**GRANT OF SHARE OPTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting of the Company to be held at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 27 May 2013 at 10:30 a.m is set out on pages 9 to 10 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed with this circular.

Whether or not you are able to attend the extraordinary 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 extraordinary 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 extraordinary general meeting or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

10 May 2013

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DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	board of Directors
“Company”	China Water Property Group Limited, a company incorporated in the Cayman Islands with limited liability and issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company for the Independent Shareholders to consider and to approve the grant of Share Options and the transactions contemplated thereunder
“Existing Options”	the share options granted under the Share Options Scheme and remain outstanding and subsisting as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Mr. Duan, China Water Affairs Group Limited and their respective associates
“Latest Practicable Date”	6 May 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Duan”	Mr. Duan Chuan Liang, the Chairman and a non-executive Director of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of the Share(s)

DEFINITIONS

“Share Options”	the 54,262,000 share options granted to Mr. Duan under the Share Option Scheme as disclosed in the announcement of the Company dated 23 April 2013
“Share Option Scheme”	the existing share option scheme of the Company adopted by resolution of all the Shareholders on 3 June 2003 and amended by the Company on 24 June 2010
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a grantee may subscribe for Shares on exercise of an option under the Share Option Scheme
“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

10 May 2013

To the Shareholders,

Dear Sir or Madam,

GRANT OF SHARE OPTIONS

INTRODUCTION

Reference is made to the announcement made by the Company dated 23 April 2013 in relation to the grant of the Share Options to Mr. Duan.

The purpose of this circular is to provide with you the information relating to the proposed grant of Share Options to Mr. Duan and the notice of EGM, at which resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the grant of Share Options to Mr. Duan and the transactions contemplated thereunder.

GRANT OF SHARE OPTIONS

As disclosed in the announcement of the Company dated 23 April 2013, on 23 April 2013, the Board resolved to grant 54,262,000 Share Options to Mr. Duan, the Chairman and a non-executive Director of the Company under the Share Option Scheme.

LETTER FROM THE BOARD

Mr. Duan is also the chairman and an executive director of China Water Affairs Group Limited, a company with its issued shares listed on the Main Board of the Stock Exchange (Stock Code: 855). Based on the notifications given by the Shareholders to the Company under the SFO, China Water Affairs Group Limited together with its wholly owned subsidiaries hold 787,091,136 Shares as at the Latest Practicable Date, representing approximately 43.52% of issued share capital of the Company. As at the Latest Practicable Date, Mr. Duan is personally interested in (i) 4,207,928 Shares; and (ii) 12,795,263 Share Options (other than the 54,262,000 Share Options granted to Mr. Duan as disclosed herein). Mr. Duan is also a substantial shareholder of China Water Affairs Group Limited.

The proposed grant of 54,262,000 Share Options to Mr. Duan would result in the securities issued and to be issued upon exercise of all Share Options already granted and to be granted to him in the 12-month period representing in aggregate over 1% of the relevant class of securities in issue. The grant of the Share Options has been approved by all the independent non-executive Directors on 23 April 2013, subject to the approval of the Independent Shareholders at the EGM in accordance with Chapter 17 of the Listing Rules.

Terms of the Share Options

Subject to the Independent Shareholders' approval to be sought at the EGM, the Share Options are granted in accordance with the terms of the Share Option Scheme and summary of the principal terms of the Share Options are set out below:

(a) Duration and the condition

The Share Options have an option period of ten years from 23 April 2013, being the date of the grant of the Share Options to Mr. Duan, and exercisable upon obtaining Independent Shareholders' approval at the EGM. There is no special condition or specific performance target to be fulfilled before the Share Options can be exercised.

There is no vesting period for the Share Options granted to Mr. Duan and those Share Options can be exercisable at any time after the Independent Shareholders' approval obtained at the EGM.

(b) Subscription Price

The Share Options are exercisable at the Subscription Price of HK\$0.598 per Share, which is the highest of (i) HK\$0.10, being the nominal value of a Share; (ii) HK\$0.59, being the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of Share Options, and (iii) HK\$0.598, being the average of the closing prices of the Shares as stated in the daily quotations sheets on the Stock Exchange from 16 April 2013 to 22 April 2013, both dates inclusive (being the five trading days immediately preceding the date of the grant of Shares Options).

LETTER FROM THE BOARD

(c) Transferability, Dividends and Voting Rights

The Share Options are not transferrable and carry no voting rights to vote at any general meeting of the Company. The holder of the Share Options shall not be entitled to any dividends or distribution declared or to be declared by the Company by reason of being holder of the Share Options.

In the event of a resolution being proposed for the voluntary winding-up of the Company, 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 the Share Options.

(d) Reasons and consideration for the grant of the Share Options

Mr. Duan is the Chairman and a non-executive Director of the Company since 25 October 2010 and the 54,262,000 Share Options are proposed to be granted to him in recognition of his contribution to the growth of the Group in the past and as an incentive for his continuing commitment and contribution to the Group in the future. The consideration payable on acceptance of the Share Options is HK\$1.00, which has been paid by Mr. Duan in accordance with the terms of the Share Option Scheme. The remuneration committee of the Company has resolved the grant of the Share Options to Mr. Duan in accordance with the terms of reference of the remuneration committee.

The independent non-executive Directors have taken into consideration of various factors in giving their recommendation to the Independent Shareholders.

Since the appointment of Mr. Duan as the Chairman of the Company, the business of the Group has undergone continuous growth and development. A substantial increase in both the turnover and net profit of the Group for the year ended 31 December 2012 was recorded as compared to the same for the year ended 31 December 2011. The independent non-executive Directors are of the view that Mr. Duan's leadership is one of the reasons for such improvement in performance of the Group.

It is noted that the grant of the Share Options will not involve additional cash outflow from the Group and also the value of those Share Options will depend upon the future performance of the Group. As such, the independent non-executive Directors consider the grant of the Share Options to Mr. Duan is an appropriate mean as a reward for his past contribution to the Group and also as an incentive for his future performance.

Based on the aforesaid and having considered the terms of the Share Options as disclosed in this circular, the independent non-executive Directors are of the view that the grant of the Share Options is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON SHARE OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME

Assuming that the grant of the Share Options to Mr. Duan is approved by the Independent Shareholders at the EGM and that no Share Options granted under the Share Option Scheme are exercised from the Latest Practicable Date up to the date of the EGM, the Company will have 79,852,526 Share Options outstanding immediately after the EGM, representing approximately 4.41% of the total issued share capital of the Company.

For illustration purpose only, the following table shows the changes in the shareholdings of Mr. Duan and his associates in the issued share capital of the Company upon exercise in full of all the Share Options and the Existing Options:

	As at the		Upon exercise of		Upon exercise of	
	Latest Practicable Date		the Share Options in full		the Share Options and	
	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>
	<i>Shares held</i>	<i>shareholding</i>	<i>Shares held</i>	<i>shareholding</i>	<i>Shares held</i>	<i>shareholding</i>
		<i>percentage</i>		<i>percentage</i>		<i>percentage</i>
Mr. Duan (<i>Note 1</i>)	4,207,928	0.23%	58,469,928	3.14%	71,265,191	3.77%
China Water Affairs and its subsidiaries (<i>Note 2</i>)	<u>787,091,136</u>	<u>43.52%</u>	<u>787,091,136</u>	<u>42.25%</u>	<u>787,091,136</u>	<u>41.68%</u>
Total Shareholding of Mr. Duan, China Water Affairs and their associates	791,299,064	43.75%	845,561,064	45.39%	858,356,327	45.45%
Other Shareholders	<u>1,017,423,797</u>	<u>56.25%</u>	<u>1,017,423,797</u>	<u>54.61%</u>	<u>1,030,219,060</u>	<u>54.55%</u>
Total	<u>1,808,722,861</u>	<u>100%</u>	<u>1,862,984,861</u>	<u>100%</u>	<u>1,888,575,387</u>	<u>100%</u>

Notes:

- Mr. Duan Chuan Liang is the Chairman and a non-executive Director of the Company.
- These Shares of the Company held by Sharp Profit Investments Limited (“**Sharp Profit**”) and Good Outlook Investments Limited (“**Good Outlook**”) which are wholly owned subsidiaries of China Water Affairs Group Limited (“**China Water Affairs**”). Therefore, China Water Affairs was deemed to be beneficially interested in the said Shares held by Sharp Profit and Good Outlook for the purposes of the SFO.

IMPLICATION UNDER THE LISTING RULES

The 54,262,000 Shares to be issued upon exercise in full of the 54,262,000 Shares Options granted to Mr. Duan as disclosed in this circular represent approximately 3% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 2.91% of the total issued share capital of the Company as enlarged by the exercised of such 54,262,000 Share Options (assuming no Existing Options have been exercised). The Shares falling to be issued upon exercise of the Existing Options and the Share Options will not exceed 30% of the issued share capital of the Company.

LETTER FROM THE BOARD

Pursuant to Rule 17.03(4) of the Listing Rules, as the total number of Shares issued and to be issued upon exercise of the Share Options to be granted to Mr. Duan (including both exercised and outstanding Share Options) in 12-month period exceed 1% of the Shares in issue, such grant must be approved by Independent Shareholders in the general meeting with Mr. Duan and his associates (including China Water Affairs Group Limited and its subsidiaries) abstaining from voting.

In this regard, China Water Affairs Group Limited, Mr. Duan and their respective associates holding 791,299,064 Shares in total, or approximately 43.75% of the total issued Shares as at the Latest Practicable Date, will abstain from voting at the EGM to be convened to approve the grant of the Share Options to Mr. Duan.

EGM

The notice convening the EGM is set out on pages 9 to 10 of this circular. At the EGM, ordinary resolution will be proposed to approve, among other matters, the grant of the Share Options to Mr. Duan by way of poll. An announcement will be made by the Company after the EGM on the results of the EGM.

As mentioned in the section headed “Implication under the Listing Rules” above, China Water Affairs Group Limited, Mr. Duan and their respective associates holding 791,299,064 Shares in total, or approximately 43.75% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the resolution to be proposed at the EGM to be convened to approve the grant of the Share Options to Mr. Duan.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no voting trust nor other agreement nor arrangement nor understanding (other than an outright sale) entered into by or binding upon any Shareholder; and any obligation or entitlement of any Shareholder as at the date by reference to which disclosure of the shareholding of any such Shareholder is made in this circular, whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his shares in the issuer to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority at the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude your from attending and voting at the EGM or the adjourned meeting if you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Having considered the terms of the proposed grant of the Share Options, all the independent non-executive Directors considered they are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors), recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the grant of Share Options as set out in the notice of the EGM.

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.

Yours faithfully
For and on behalf of the Board
China Water Property Group Limited
Wang Wenxia
Vice Chairman and Chief Executive Officer

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 OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders (the “**EGM**”) of China Water Property Group Limited (the “**Company**”) will be held at Suit 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, on Monday, 27 May 2013 at 10:30 a.m.. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

“THAT:

- (a) the grant of the 54,262,000 share options (the “**Share Options**”) by the Company under the share option scheme of the Company adopted by resolution of all the shareholders of the Company on 3 June 2003 and amended by the Company on 24 June 2010 (the “**Share Option Scheme**”) to Mr. Duan Chuan Liang (“**Mr. Duan**”) to subscribe 54,262,000 shares (the “**Shares**”) of HK\$0.10 each in the share capital of the Company at the subscription price of HK\$0.598 per Share (subject to adjustments pursuant to the Share Option Scheme) subject to such conditions (if any) on the exercise of the Share Options as stipulated in the offer letter issued pursuant to the Share Option Scheme and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any Director(s) be and are hereby authorised to do any act or things to sign, seal, execute and/or deliver any documents for and on behalf of the Company as he/she may in his/her opinion be necessary, desirable or expedient in connection with the grant of the Share Options to Mr. Duan and the transactions contemplated thereunder.”

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

Hong Kong, 10 May 2013

NOTICE OF EGM

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 EGM is entitled to appoint one or more proxy to attend and, subject to 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 EGM 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. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.