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(Incorporated in Cayman Islands with limited liability)

(Stock code: 1129)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of China Water Industry Group Limited (the “Company”) will be held at Boardroom 5, Mezzanine Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Monday, 26 September 2011 at 9:30 a.m. to consider and, if thought fit, transact the following ordinary business:

CONVERTIBLE NOTES

1. “AS AN ORDINARY RESOLUTION, THAT
 - (a) the subscription agreement dated 15 August, 2011 entered into between the Company and Honghu Capital Co. Ltd as subscriber in respect of subscription of the zero interest convertible notes due 2014 in an aggregate principal amount of HK\$200,000,000 (the “Subscription Agreement”) (a copy of which marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (b) the placing agreement dated 15 August, 2011 entered into between the Company as issuer and Kingston Securities Limited as placing agent in relation to the placing of the zero interest convertible notes due 2014 in an aggregate principal amount of HK\$200,000,000 (the “Placing Agreement”) (a copy of which marked “B” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (c) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the Conversion Shares II, the allotment and issue of Conversion Shares II pursuant to the exercise of the conversion rights attached to Convertible Notes II, be and are hereby approved; and

* *for identification purpose only*

- (d) conditional upon, among others, the passing of resolution (b) above and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the Conversion Shares III, the allotment and issue of the Conversion Shares III pursuant to the exercise of the conversion rights attached to the conversion of the Convertible Notes III, be and are hereby approved;
- (e) any one director of the Company be and is hereby authorised to exercise all the powers of the Company and take all steps as he might in his opinion be desirable, necessary or expedient in connection with the implementation of the transactions contemplated under the Subscription Agreement as well as in relation to the allotment and issue of Conversion Shares II, including, without limitation to, the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements; and
- (f) any one director of the Company be and is hereby authorised to exercise all the powers of the Company and take all steps as he might in his opinion be desirable, necessary or expedient in connection with the implementation of the transactions contemplated under the Placing Agreement as well as in relation to the allotment and issue of Conversion Shares III, including, without limitation to, the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements.

CAPITAL REORGANISATION

2. “AS AN ORDINARY RESOLUTION, THAT:

- (a) every ten (10) issued shares of HK\$0.10 each be consolidated into one (1) new share of HK\$1.00 each (“Consolidated Share(s)”), as a result of which all the 8,000,000,000 authorized and issued shares of the Company of HK\$0.10 each will be consolidated into 800,000,000 authorized and issued Consolidated Shares (“Share Consolidation”);
- (b) immediately upon (and subject to) the Share Consolidation becoming effective, the authorised share capital of the Company be increased from HK\$1,000,000,000 divided into (i) 800,000,000 Consolidated Shares and (ii) 2,000,000,000 convertible preference shares par value HK\$0.10 each to HK\$2,200,000,000 divided into (i) 2,000,000,000 Consolidated Shares and (ii) 2,000,000,000 convertible preference shares par value HK\$0.10 each by the creation of an additional 1,200,000,000 Consolidated Shares (the “Capital Increase”); and
- (c) any fractions of Consolidated Shares arising on the Share Consolidation pursuant to paragraph (a) of this resolution shall not be allocated to the holders of the existing shares otherwise entitled thereto but such fractions shall be aggregated and if possible sold for the benefit of the Company or be dealt with in such other manner as the Company may agree from time to time.

3. AS A SPECIAL RESOLUTION, THAT:

(a) immediately upon (and subject to) the Share Consolidation and the Capital Increase becoming effective:

(i) clause 8 of the memorandum of association of the Company be deleted in its entirety and replaced with the following new clause 8:

“8. The share capital of the Company is HK\$2,200,000,000 divided into (i) 2,000,000,000 ordinary shares par value HK\$1.00 each; and (ii) 2,000,000,000 convertible preference shares par value HK\$0.10 each, with power for the Company insofar as permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to provisions of the Companies Law (2010 Revision) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinfore contained.”;

(ii) article 6 of the articles of association of the Company be deleted in its entirety and replaced with the following new article 6:

“6. The authorised share capital of the Company shall be HK\$2,200,000,000 divided into (i) 2,000,000,000 ordinary shares par value HK\$1.00 each; and (ii) 2,000,000,000 convertible preference shares par value HK\$0.10 each.”

4. AS A SPECIAL RESOLUTION, THAT:

(a) subject to the Share Consolidation and Capital Increase becoming effective, the par value of every issued Consolidated Share of the Company be reduced from HK\$1.00 to HK\$0.50 by the reduction of HK\$0.50 on each issued Consolidated Share of par value of HK\$1.00 each (the “Capital Reduction”), with each such reduced share being treated as one fully paid up new share of par value HK\$0.50 each (the “New Shares”). Any liability of the holders of such New Shares to make any further contribution to the capital of the Company in respect of each such New Share shall be treated as satisfied, and the amount of issued capital thereby cancelled shall be made available for issue of New Shares of the Company;

(b) the credit balance arising from the Capital Reduction of approximately HK\$205,166,000 be applied in any manner as permitted by the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands as amended and revised (the “Cayman Companies Law”) and other applicable laws to, including but not limited to, the setting off the accumulated losses of the Company as at the effective date of the Capital Reduction;

(c) immediately upon (and subject to) the Capital Reduction and the Sub-Division (as defined below) becoming effective:

(i) clause 8 of the memorandum of association of the Company be deleted in its entirety and replaced with the following new clause 8:

“8. The share capital of the Company is HK\$2,200,000,000 divided into (i) 4,000,000,000 ordinary shares par value HK\$0.50 each; and (ii) 2,000,000,000 convertible preference shares par value HK\$0.10 each, with power for the Company insofar as permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to provisions of the Companies Law (2010 Revision) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinafore contained.”;

- (ii) article 6 of the articles of association of the Company be deleted in its entirety and replaced with the following new article 6:

“6. The authorised share capital of the Company shall be HK\$2,200,000,000 divided into (i) 4,000,000,000 ordinary shares par value HK\$0.50 each; and (ii) 2,000,000,000 convertible preference shares par value HK\$0.10 each.”

5. AS AN ORDINARY RESOLUTION, THAT:

- (a) immediately upon (and subject to) the Capital Reduction becoming effective, each authorised but un-issued Consolidated Share with a par value of HK\$1.00 each shall be sub-divided into 2 New Shares with a par value of HK\$0.50 each (the “Sub-division”);
- (b) all the New Shares in the capital of the Company after completion of the capital restructuring pursuant to this resolution shall rank pari passu in all respects with each other and have the same rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company as amended pursuant to paragraphs (c) of the special resolution set out above; and
- (c) the directors of the Company (“Directors”) be and are hereby authorised to take all necessary steps and do all such other things and acts and execute all such other documents (including the affixation of the common seal of the Company where execution under seal is required) which they may in their absolute discretion consider necessary, desirable, or expedient for the purpose of giving effect to or implementing any of the foregoing.”

By Order of the Board
China Water Industry Group Limited
Wang De Yin
Chairman

Hong Kong, 2 September 2011

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at branch share registrar of the Company in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong 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, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, seniority being determined by the order in which names stand in the register of members.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or any adjournment.
- (4) As at the date of this notice, the board of directors of the Company comprises Mr. Wang De Yin, Mr. Yang Bin, Mr. Liu Feng, Mr. Lin Yue Hui, Mr. Tang Hui Ping and Ms. Chu Yin Yin, Georgiana, all being executive directors, and Mr. Chang Kin Man, Mr. Wu Tak Lung and Mr. Gu Wen Xuan, all being independent non-executive directors.