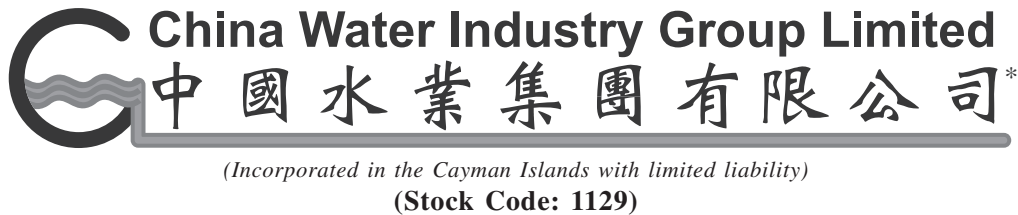

THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Water Industry Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,
PROPOSED REFRESHMENT OF 10% LIMIT ON GRANT OF OPTIONS
UNDER SHARE OPTION SCHEME,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of China Water Industry Group Limited to be held at Concord Room III, 8/F., Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 3 June 2010 at 9:30 a.m. is set out on pages 14 to 17 of this circular. Whether or not you are able to attend the annual general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit at the branch share registrar of the Company in Hong Kong, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the annual general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the annual general meeting or any adjourned meeting (as the case may be) should you so wish.

* *for identification purpose only*

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

| | |
|---------------------------|--|
| “AGM” | the annual general meeting of the Company to be held at Concord Room III, 8/F., Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 3 June 2010 at 9:30 a.m. or any adjournment thereof to consider and, if appropriate, to approve the resolutions as set out in the Notice |
| “Articles of Association” | Articles of Association of the Company as amended from time to time |
| “associates” | shall have the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange |
| “connected person(s)” | shall have the meaning ascribed to it under the Listing Rules |
| “Directors” | the directors of the Company |
| “General Scheme Limit” | 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme or the date of approval of the refreshment of the general scheme limit (as the case may be) which may be issued upon exercise of all options granted/to be granted under the Share Option Scheme |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

DEFINITIONS

| | |
|---------------------------|--|
| “Issue Mandate” | the proposed issue mandate to be granted to the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution for approving the issue mandate |
| “Latest Practicable Date” | 26 April, 2010 being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Notice” | means the notice convening the AGM which is set out on pages 14 to 17 of this circular |
| “Option(s)” | the share options granted by the Company under the Share Option Scheme |
| “PRC” | means the People’s Republic of China |
| “Repurchase Mandate” | the proposed repurchase mandate to be granted to the Directors to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing the resolution for approving the repurchase mandate |
| “Retiring Directors” | the directors who will retire and, being eligible, offer themselves for re-election at the AGM as set out in Appendix II to this circular |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Shares” | ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | holder of Share(s) |
| “Share Option Scheme” | means the existing share option scheme of the Company adopted by the Company on 17 January 2002 |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1129)

Executive Directors:

Mr. Li Yu Gui (*Chairman*)
Mr. Yang Bin (*Chief Executive Officer*)
Mr. Liu Bai Yue (*Chief Operating Officer*)
Ms. Chu Yin Yin, Georgiana
Mr. Li Wen Jun

Registered Office:

Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Independent Non-executive Directors:

Mr. Chang Kin Man
Mr. Wu Tak Lung
Mr. Gu Wen Xuan

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

Room 1207, 12th Floor,
West Tower, Shun Tak Centre,
No. 168-200 Connaught Road Central,
Sheung Wan, Hong Kong

30 April 2010

To the Shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,
PROPOSED REFRESHMENT OF 10% LIMIT ON GRANT OF OPTIONS
UNDER SHARE OPTION SCHEME,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the ordinary resolutions to be proposed at the AGM to approve (a) the Issue Mandate; (b) the Repurchase Mandate; (c) the refreshment of General Scheme Limit; and (d) the re-election of Directors.

This circular contains the explanatory statement and gives all the information reasonably necessary to enable you to make a decision on whether to vote for or against the resolutions proposed at the AGM.

The Notice setting out the details of the resolutions to be proposed at the AGM is set out on pages 14 to 17 of this circular.

* *for identification purpose only*

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting of the Company held on 29 June 2009 (the “2009 AGM”), the Shareholders approved, among other things, ordinary resolutions to approve the grant of a general mandate to the Directors to allot, issue and deal with Shares (the “General Mandate”). As at the date of passing such resolutions, there were a total of 2,255,900,000 Shares in issue and thus the Directors were authorised to issue and allot 20% thereof, being 451,180,000 Shares under the General Mandate. 450,479,000 new Shares had been issued and allotted under the General Mandate in the top-up subscription for 450,479,000 new Shares as disclosed in the announcement of the Company dated 6 August 2009.

At the extraordinary general meeting of the Company held on 21 October 2009 (the “EGM”), the Shareholders approved, among other things, ordinary resolutions to approve the grant of a general mandate to the Directors to allot, issue and deal with Shares (the “Refreshed General Mandate”). As at the date of passing such resolutions, there were a total of 2,706,379,000 Shares in issue and thus the Directors were authorised to issue and allot 20% thereof, being 541,275,800 Shares under the Refreshed General Mandate. During the period from the date of the EGM to the Latest Practicable Date, no Shares were issued under the Refreshed General Mandate.

An ordinary resolution will therefore be proposed at the AGM to grant to the Directors the Issue Mandate, i.e., a general and unconditional mandate to allot, issue and deal with, otherwise by way of rights issue or any option scheme or similar arrangements for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company or any shares of the Company issued as scrip dividends pursuant to the Articles of Association, additional Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of such resolution. The Issue Mandate, if granted, will remain in effect until 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 to be held by the Articles of Association or any applicable laws of the Cayman Islands or the Listing Rules; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

As at the Latest Practicable Date, the Company had an aggregate of 2,706,379,000 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the Issue Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the Issue Mandate to allot and issue up to 541,275,800 new Shares, being 20% of the Shares in issue as at the Latest Practicable Date.

GENERAL MANDATE TO REPURCHASE SHARES

At the 2009 AGM, an ordinary resolution was passed by the Shareholders granting the existing Repurchase Mandate to the Directors.

LETTER FROM THE BOARD

An ordinary resolution will be proposed at the AGM to revoke the existing Repurchase Mandate and to grant to the Directors a fresh Repurchase Mandate, i.e., a general and unconditional mandate to repurchase Shares subject to the maximum number of shares of up to 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of such resolution. The fresh Repurchase Mandate, if granted, will remain in effect until 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 to be held by the Articles of Association or any applicable laws of the Cayman Islands or the Listing Rules; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

An explanatory statement containing all relevant information relating to the Repurchase Mandate is set out in Appendix I to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate at the AGM.

PROPOSED REFRESHMENT OF 10% LIMIT ON THE GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME

The Company adopted the Share Option Scheme. Under the rules of the Share Option Scheme:

- (i) the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme if such grant would result in the above limit being exceeded;
- (ii) no Options may be granted under the Share Option Scheme if it results in the General Scheme Limit being exceeded, unless the approval of Shareholders has been obtained. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the 10% limit; and
- (iii) the General Scheme Limit may be refreshed by Shareholders in general meeting provided that the total number of Shares in respect of which Options may be granted under the Share Option Scheme shall not exceed 10% of the total number of Shares in issue as at the date of approval of the “refreshed” General Scheme Limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the General Scheme Limit as “refreshed”.

The General Scheme Limit was last refreshed at the annual general meeting of the Company held on 10 June 2008 (the “2008 AGM”) of which no Options were granted under the refreshed General Scheme Limit approved at the 2008 AGM.

LETTER FROM THE BOARD

From 17 January 2002 (i.e. the date of adoption of the Share Option Scheme) to the Latest Practicable Date, the number of Options granted, exercised, lapsed and outstanding is as follows:

| | Number of Options under Share Option Scheme | | |
|----------------|--|---------------|--------------------|
| granted | exercised | lapsed | Outstanding |
| 595,900,000 | 237,900,000 | 340,000,000 | 18,000,000 |

All the grantee of the Options fell within the class of participants under the Share Option Scheme and all these Options were granted in accordance with the rules of the Share Option Scheme and the relevant requirements of the Listing Rules.

As at the Latest Practicable Date, 18,000,000 Options carrying the rights to subscribe for a maximum of 18,000,000 Shares, representing approximately 0.67% of the total number of Shares in issue as at the Latest Practicable Date, remain outstanding under the Share Option Scheme.

The Directors consider that the Company should refresh the General Scheme Limit so that the Company will have more flexibility to provide incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group. Assuming no further Shares are issued and repurchased, if the refreshment of the General Scheme Limit is approved at the AGM based on the 2,706,379,000 Shares in issue as at the Latest Practicable Date, the Directors will be able to grant Options under the Share Option Scheme carrying the rights to subscribe for a maximum of 270,637,900 Shares under the “refreshed” General Scheme Limit, representing 10% of the total number of Shares in issue as at the Latest Practicable Date. However, as required by Rule 17.03 of the Listing Rules, no Options may be granted if this will result in the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme exceeding 30% of the total number of Shares in issue from time to time.

The Directors consider that the refreshment of the General Scheme Limit will be for the benefit of the Company and the Shareholders as a whole that it enables the Company to reward and motivate participants of the Share Option Scheme to contribute to the success of the Group.

The refreshment of the General Scheme Limit is conditional upon:

- (a) the Shareholders passing an ordinary resolution to approve the refreshment of the General Scheme Limit at the AGM; and
- (b) the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any Options that may be granted under the Share Option Scheme under the refreshed General Scheme Limit.

An ordinary resolution will be proposed at the AGM to approve the refreshment of the General Scheme Limit. The total number of shares issued and to be issued upon exercise of the

LETTER FROM THE BOARD

Options granted to each participant (including exercised, cancelled and outstanding Options) under the Share Option Scheme in any 12-month period will not exceed 1% of the total number of Shares in issue. None of the Shareholders are required to abstain from voting at the AGM pursuant to Rule 17.03(4) of the Listing Rules. Application will be made to the Stock Exchange for the listing of, and permission to deal in, any Shares, representing 10% of the total number of Shares in issue as at the date of the AGM approving the “refreshed” General Scheme Limit, to be issued and allotted upon exercise of the Options granted under the “refreshed” General Scheme Limit.

Resolution 5 set out in the Notice will be proposed at the AGM to approve the refreshment of the General Scheme Limit on the grant of Options under the Share Option Scheme.

RE-ELECTION OF DIRECTORS

In accordance with article 112 of the Articles of Association, Mr. Li Wen Jun, who was appointed by the Board, shall hold office only until the AGM and shall then be eligible for re-election. Mr. Li Wen Jun, being eligible, will offer himself for re-election at the AGM.

In accordance with article 108(A) of the Articles of Association, Mr. Li Yu Gui, Mr. Liu Bai Yue and Mr. Gu Wen Xuan will retire from office by rotation and will offer themselves for re-election at the AGM.

At the AGM, each of Mr. Li Wen Jun, Mr. Li Yu Gui and Mr. Liu Bai Yue will offer themselves for re-election as executive Directors. Mr. Gu Wen Xuan will offer himself for re-election as the independent non-executive Director.

Details of the Retiring Directors which are required to be disclosed under the Listing Rules are set out in Appendix II to this circular.

ANNUAL GENERAL MEETING

The Notice is set out on pages 14 to 17 of this circular. At the AGM, resolutions will be proposed to approve, inter alia, the granting of the Issue Mandate and Repurchase Mandate, the refreshment of General Scheme Limit and the re-election of Directors. All the resolutions to be proposed at the AGM will be voted by way of poll at the AGM pursuant to the requirements under the Listing Rules.

A form of proxy for use at the AGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange (www.hkex.com.hk). In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the branch share registrar of the Company in Hong Kong, Union Registrars Limited at 18/F., 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 of authority, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. The completion and return of the form of proxy will not preclude any Shareholder from attending and voting at the meeting if so wished.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

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

RECOMMENDATION

The Directors consider that the Issue Mandate, the Repurchase Mandate, the refreshment of General Scheme Limit and the re-elections of Directors are in the best interests of the Company and the Shareholders. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions as set out in the Notice on pages 14 to 17 of this circular.

By Order of the Board
China Water Industry Group Limited
Li Yu Gui
Chairman

This Appendix serves as an explanatory statement as required by the Listing Rules, to be included in this circular concerning the repurchase of Shares by the Company.

1. Exercise of the Repurchase Mandate

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,706,379,000 Shares.

Subject to the passing of the relevant ordinary resolution to approve the Repurchase Mandate at the AGM and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be authorised under the Repurchase Mandate to repurchase a maximum of 270,637,900 Shares during the period up to the next annual general meeting in 2011 or the expiration of the period within which the next annual general meeting of the Company is required by law to be held or the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in a general meeting of the Company, whichever occurs first.

2. Reasons for Repurchase

The Directors consider that the Repurchase Mandate will provide the Company with the flexibility to make such repurchases as and when appropriate and beneficial to the Company. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders as a whole.

3. Funding of Repurchase

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws of Hong Kong and the Cayman Islands. The Companies Laws (2007 Revision) of the Cayman Islands (the "Laws") provide that a share repurchase by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if so authorised by the articles of association of the Company and subject to the provisions of the Laws, out of capital. Any premium payable on a repurchase over the par value of the Shares repurchased must be provided for out of profits of the Company or out of the Company's share premium account or, if so authorised by the articles of association of the Company and subject to the provisions of the Laws, out of capital.

4. Impact on Working Capital or Gearing Position

There may be material adverse impact on the working capital or the gearing position of the Company (as compared with the position disclosed in the Company's audited accounts for the year ended 31st December, 2009) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. Undertaking of the Directors

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules and all applicable laws of the Cayman Islands, and in accordance with the regulations set out in the memorandum and articles of association of the Company.

6. Effect of Takeovers Code

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such an increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder or a 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 Rule 26 and Rule 32 of the Takeovers Code. As at the Latest Practicable Date, Mr. Yang Bin, executive Director and Mr. Li Jian Ping, the two largest shareholders of the Company, jointly held approximately 16.64% of the entire issued share capital of the Company through his controlled corporations, namely, Boost Skill Investments Limited, Favor Jumbo Investments Limited and Sure Ability Limited. Assuming full exercise of the Repurchase Mandate, Mr. Yang Bin and Mr. Li Jian Ping will hold approximately 18.49% of the entire issued share capital of the Company. The Directors are not aware of any Shareholders, or a group of Shareholders acting in concert, who may become obliged to make a mandatory offer in accordance with Rule 26 and Rule 32 of the Takeovers Code in the event that the Directors exercise the power to repurchase Shares pursuant to the Repurchase Mandate.

7. Directors, their associates and connected persons

None of the Directors nor, to the best of the knowledge of the Directors having made all reasonable enquiries, any associate of any of the Directors has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make repurchases of Shares.

8. Share repurchase made by the Company

No repurchases of Shares have been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

9. Share Prices

During each of the past twelve months preceding the Latest Practicable Date, the highest and lowest trading prices of the Shares on the Stock Exchange are as follows:

| Month | Highest Price (HK\$) | Lowest Price (HK\$) |
|--|---------------------------------|--------------------------------|
| 2009 | | |
| April | 0.221 | 0.131 |
| May | 0.295 | 0.250 |
| June | 0.360 | 0.280 |
| July | 0.305 | 0.265 |
| August | 0.320 | 0.260 |
| September | 0.285 | 0.240 |
| October | 0.250 | 0.226 |
| November | 0.280 | 0.238 |
| December | 0.255 | 0.226 |
| 2010 | | |
| January | 0.260 | 0.230 |
| February | 0.239 | 0.221 |
| March | 0.250 | 0.226 |
| April (up to be Latest Practicable Date) | 0.255 | 0.221 |

The following sets out the details of the directors who will retire and, being eligible, offer themselves for re-election at the AGM pursuant to the Articles of Association:

BIOGRAPHICAL INFORMATION

Executive Directors

Mr. Li Wen Jun, aged 51, was graduated from the Department of Chemical Machinery of South China University of Technology. He has passed the national training and examination organised by the State Council of the People's Republic of China (the "PRC") in respect of the overseas delegated engineer and he has also passed the national training and examination for managers and factory director. Mr. Li Wen Jun has more than 25 years of extensive experience in chemical engineering and management of the chemical industry in the PRC. Mr. Li has also conducted various research and development projects in relation to organic chemistry majoring in research on treatment of sewerage by BAF (Biological Aerated Filter). Mr. Li Wen Jun is currently an Executive Director of iMerchants Limited (Stock code: 08009), a non wholly-owned subsidiary of the Company and the shares of which are listed on the Growth Enterprise Market of The Stock Exchange. Save as disclosed above, Mr. Li Wen Jun has confirmed to the Company that he had not held directorship in any other listed companies of Hong Kong during the last three years, nor has he previously held any positions with the Company or any of its subsidiaries. He does not have any relationship with any director, senior management or substantial or controlling shareholders of the Company.

Mr. Li Yu Gui ("Mr. Li"), aged 64, is currently the Secretary General of the Guangdong Water Supply Association* (廣東省城鎮供水協會). Mr. Li Yu Gui has accumulated more than 30 years of experience in the organization and management of middle-to-large scale city water treatment plants as well as the construction of water supply facilities. Prior to joining the Company, Mr. Li Yu Gui had been the Chief Officer of the Infrastructure Department of the Guangzhou Utilities Authority* (廣州市公用事業局基本建設處), the General Manager of Guangzhou Water Supply Company* (廣州市自來水公司), the Vice Chairman of the National Water Supply Association* (全國城鎮供水協會) and the Chairman of the board of directors of the Guangdong Water Supply Association* (廣東省城鎮供水協會). During his tenure in the Guangzhou Water Supply Company, he had successively organized several large scale water supply construction projects, in which Mr. Li Yu Gui had taken a leading and directive role, collectively supply 4 million tones drinkable water to Guangzhou city per day. Save as disclosed above, Mr. Li Yu Gui has confirmed to the Company that he had not held directorship in any other listed companies of Hong Kong during the last three years, nor has he previously held any positions with the Company or any of its subsidiaries. He does not have any relationship with any director, senior management or substantial or controlling shareholders of the Company.

Mr. Liu Bai Yue ("Mr. Liu"), aged 59, graduated from the School of Adult Education, China University of Political Science and Law. Mr. Liu is a registered practicing certified enterprise legal advisor as well as an arbitrator of the Guangzhou Arbitration Commission in the PRC. Prior to joining the Company, Mr. Liu was the head of the financial department, asset management department and legal department of GDH Limited, the Hong Kong representative office of People's Government of Guangdong Province and held various positions including the Chairman of the Board and Managing Director of its certain companies from 1986 to 2006. Mr.

* for identification purpose only

Liu has over 24 years of experience in handling and management of international trade, investment, corporate restructure and merger and acquisition. Save as disclosed above, Mr. Liu has confirmed to the Company that he had not held directorship in any other listed companies of Hong Kong during the last three years, nor has he previously held any positions with the Company or any of its subsidiaries. He does not have any relationship with any director, senior management or substantial or controlling shareholders of the Company.

Independent Non-executive Director

Mr. Gu Wen Xuan (“Mr. Gu”), aged 67, had been the Deputy Director General of The Department of Urban Planning of The Ministry of Construction of the PRC and taking a leading role in other related bureau. During his working for the government bureau, Mr. Gu was responsible for urban planning and in charge of the designs of various infra-structures (which includes the planning and designs of water supply-related projects) for the urban cities in the PRC. Mr. Gu had accumulated over 15 years of experience in urban planning. Mr. Gu obtained his Bachelor degree in Geography and Master degree of Science in Regional Planning from The Beijing Normal University. Mr. Gu has been qualified as a Research Fellow of the Seal of the Evaluation Committee of Professional Titles and also a State Certified Planner of The Ministry of Construction of the PRC. Save as disclosed above, Mr. Gu does not hold any positions with the Company or other members of the Company’s group and did not hold any directorship in any other listed public company in the past three years. Other than the relationship arising from his being an independent non-executive director, Mr. Gu is not related to any directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, each of Mr. Li Wen Jun, Mr. Li, Mr. Liu and Mr. Gu does not have any interest in the share capital of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong). Save as being Directors, each of Mr. Li Wen Jun, Mr. Li, Mr. Liu and Mr. Gu does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company (as defined under the Listing Rules).

There is no service contract between the Company and each of Mr. Li Wen Jun, Mr. Li, Mr. Liu and Mr. Gu and none of them are appointed for a specific term. Each of their appointment is subject to retirement by rotation and re-election in accordance with the Articles of Association. For the year ended 31 December 2009, Mr. Li Wen Jun, Mr. Li, Mr. Liu and Mr. Gu received an emolument of HK\$326,767, HK\$390,000, HK\$468,000 and HK\$120,000, respectively. The emoluments of Mr. Li Wen Jun, Mr. Li, Mr. Liu and Mr. Gu are determined by the Board with reference to the remuneration benchmark of the industry and the prevailing market conditions.

In relation to the re-election of Mr. Li Wen Jun, Mr. Li and Mr. Liu as executive Directors and Mr. Gu as independent non-executive Director, there is no information to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL GENERAL MEETING



(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1129)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Water Industry Group Limited (the “Company”) will be held at Concord Room III, 8/F., Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 3 June 2010 at 9:30 a.m. to consider and, if thought fit, transact the following ordinary business:

1. To receive, consider and adopt the audited consolidated financial statements and the reports of the directors and the auditors for the year ended 31 December 2009.
2. (A) To re-elect Mr. Li Wen Jun as executive director.
(B) To re-elect Mr. Li Yu Gui as executive director.
(C) To re-elect Mr. Liu Bai Yue as executive director.
(D) To re-elect Mr. Gu Wen Xuan as independent non-executive director.
(E) To authorise the board of directors to fix the remuneration of the directors.
3. To re-appoint SHINEWING (HK) CPA Limited as the auditors of the Company and to authorize the board of directors to fix their remuneration.

ORDINARY RESOLUTIONS

4. As special business, to consider, and if thought fit, pass with or without modifications, the following resolutions 4A to 4C as ordinary resolutions:
 - A. **“THAT:**
 - (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

* for identification purpose only

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(c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) the exercise of the subscription rights under the share option scheme of the Company or (iii) an issue of shares as scrip dividends pursuant to the memorandum and articles of association of the Company from time to time shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from 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 of the Company or any applicable law of the Cayman Islands to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of any recognized regulatory body or any stock exchange in any territory applicable to the Company).”

B. “THAT:

(a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share

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capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and

(c) for the purposes of this resolution:

“Relevant Period” means the period from 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 of the Company or any applicable law of the Cayman Islands to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C. “**THAT** conditional upon resolutions nos. 4A and 4B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 4B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4A above.”

5. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the shares of HK\$0.10 each in the share capital of the Company (representing a maximum of 10% of the shares in issue as at the date of the passing of this resolution) to be issued pursuant to the exercise of options which may be granted under the Company’s Share Option Scheme took effective on 17 January 2002 (the “Scheme”), the refreshment of the Scheme Limit on grant of options under the Scheme and any other Share Option Schemes of the Company up to 10% of the shares in issue as at the date of the passing of this resolution (the “Refreshed General Scheme Limit”) be and is hereby approved and any director of the Company be and is hereby authorized to do such act and execute such document to effect the Refreshed General Scheme Limit.”

By Order of the Board
China Water Industry Group Limited
Li Yu Gui
Chairman

Hong Kong, 30 April 2010

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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 18/F., 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 annual general meeting or any adjournment.
- (4) As at the date of this notice, the board of directors of the Company comprises Mr. Li Yu Gui, Mr. Yang Bin, Mr. Liu Bai Yue, Ms. Chu Yin Yin, Georgiana and Mr. Li Wen Jun, all being executive directors, and Mr. Chang Kin Man, Mr. Wu Tak Lung and Mr. Gu Wen Xuan, all being independent non-executive directors.