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**SIGNING OF FRAMEWORK AGREEMENT WITH STANDARD CHARTERED IL&FS ASIA  
INFRASTRUCTURE GROWTH FUND COMPANY PTE. LIMITED**

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The Board of Directors is pleased to announce that CNA Group Ltd. ("CNA" or the "Company") with its associated company, China Water Holdings Pte. Ltd. ("CWH") have entered into a framework agreement (the "Framework Agreement") with Standard Chartered IL&FS Asia Infrastructure Growth Fund Company Pte. Limited ("SCI Asia", expression of which includes a wholly-owned special purpose company) on 16 May 2008 where it was agreed, *inter alia*, that:-

**(A) The Convertible Notes**

- (a) The existing shareholders of CWH will incorporate a new company ("Issuer") in the Cayman Islands and transfer all its shares in CWH to the Issuer in exchange for new shares in the Issuer.
- (b) The Issuer will issue Guaranteed Convertible Senior Secured Notes (the "Notes") to SCI Asia with a principal value of US\$34.3 million. The Notes are convertible into ordinary shares in the Issuer representing 30% of the then total issued and outstanding share capital of the Issuer on a fully-diluted basis. Unless converted, the Notes, which mature 2 years from the date of issue of the Notes ("Issue Date"), or if extended by the noteholder, 3 years from the date of issue of the Notes, bear interest at the rate of 10% to 15% per annum.
- (c) Proceeds from the issuance of the Notes will be used by the Issuer, *inter alia*, (A) to repay certain inter-company and shareholders loans, (B) to provide a loan to NewCo (as defined below), (C) to make capital increase in Beijing Herocan consistent with the Issuer's development strategy completed thereunder, (D) for its working capital and general corporate purposes. Beijing Herocan is the operating arm and a wholly-owned PRC subsidiary of CWH.
- (d) CNA, SCI Asia, the Issuer, Mirage Group and certain parties thereto will also enter into an Investors' Rights Agreement under which certain customary investors' rights will be granted to SCI Asia as an investor in the Issuer ("Investors' Rights Agreement"). Under the terms of the Investors' Rights Agreement, CNA will agree to pay certain compensation to SCI Asia based on a certain formula if the average actual profit of the Issuer group falls below a certain value. Such compensation can also be satisfied with the transfer of certain shares then held by CNA, at its election, in the Issuer.

**(B) Disposal of BOT/TOT projects**

SCI Asia will incorporate a new company in Hong Kong ("NewCo") for the purpose of acquiring existing Built-Operate-Transfer ("BOT") and Transfer-Operate-Transfer ("TOT") projects of CWH in China as well as other future BOT and TOT projects. CWH will continue to be an Engineering, Procurement and Construction ("EPC") contractor for the transferred projects, and on completion, provide operation and management ("O&M") services. CWH will have the opportunity to provide EPC and O&M services for future projects acquired by Newco in China.

The Issuer will lend an aggregate amount of up to approximately US\$19.3 million to Newco secured with a charge over ordinary shares representing a minority portion of the share capital of Newco held by SCI Asia.

After the consummation of the aforesaid transactions, CNA will continue to hold 49.9% % in the Issuer, and on the full conversion of the Notes by SCI Asia and further restructuring, is expected to hold approximately 28% in the Issuer on a fully-diluted basis.

The arrangements under the Framework Agreement will provide CWH and its subsidiaries ("CWH Group" or "the Group") with fresh injection of funds which will improve the working capital of the Group well as allow the Group to be asset light. The CWH Group will focus on being an EPC contractor and an O&M agent specializing in constructing and managing water and waste treatment plants in China.

SCI Asia is a US\$800 million Pan-Asian infrastructure private equity fund jointly sponsored by Standard Chartered Bank and Infrastructure Leasing & Financial Services Limited. The Fund is a private investment vehicle that will take an active management approach to investing in infrastructure assets in high-growth Asian markets, with a primary focus on the rapidly growing economies of India and China.

Save as disclosed above, none of the directors and substantial shareholders of the Company has any interest directly or indirectly in the aforesaid transactions.

Lun Chee Leong  
Joint Company Secretary  
16 May 2008