

[For Immediate Release]

**CHINA WATER INDUSTRY ACQUIRES iMERCHANTS LIMITED**

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**STRENGTHEN THE COMPANY'S FINANCIAL FOUNDATION TO  
DRIVE STRATEGIC ACQUISITIONS**

(Hong Kong, 12 December 2007) – China Water Industry Group Limited (“China Water Industry” or the “Company”) (stock code: 1129) announced today that it has acquired 67.32% equity interest in the HK GEM-listed company iMerchants Limited (“iMerchants”) (stock code: 8009).

The acquisition at an aggregated consideration of approximately HK\$198,000,000 is subject to fulfillment of certain conditions and will be settled by the Company using internal resources. After it is completed, China Water Industry will become the controlling shareholder of iMerchants, which will continue to operate its existing businesses and its GEM listed status will also remain unchanged. China Water Industry has no plan currently to privatize iMerchants.

iMerchants is in the business of investment in technological ventures, securities and various financial and investment products. It is financially sound with abundant cash reserve and securities with high liquidity, and without liabilities. For the six months ended 30 September 2007, its unaudited consolidated net asset value amounted to approximately HK\$ 238,000,000, which mainly included cash of HK\$50,000,000 and HK\$171,000,000 worth of high-liquidity securities. And, its turnover for the six months ended 30 September 2007 was approximately HK\$79,000,000, while net profit was approximately HK\$14,000,000.

Mr. Zhong Wen Sheng, Managing Director of China Water Industry, said, “In the light of the booming global investment market, the Company believes iMerchants, being a specialist in securities and financial investment will be an additional investment platform for the Company, while its working capital will generate promising investment opportunities that would have synergy effect with the China Water Industry’s existing investment. All these together will support the Company’s strategic acquisitions in the future and boost its revenue base.

“The Company can look forward to enjoying stronger cash flow comprising gradual profit contribution from its existing water supply operations and gains from iMerchants, and forging a more solid financial foundation for supporting acquisitions of more water supply projects in various provinces and cities in China. Acquiring more water supply related projects will be the focus of China Water Industry in the foreseeable future, which will allow it to expand its service coverage and become a renowned water investment operation and management service provider in China.”

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**About China Water Industry Group Limited (stock code: 1129)**

China Water Industry Group Limited is set to become a leader in China's water investment and operation and management industry. The Group has been actively tapping the water industry in China during this year. Recently, the Group has progressively acquired all or part of the interests in the water supply and/or sewage treatment projects in Yichun County of Jiangxi Province, Dangshan County of Anhui Province, Jinan City of Shandong Province, Jinxiang County in Jining city of Shandong Province, Linyi City of Shandong Province, and Shangqiu City of Henan Province. With a wealth of professional management team comprising experts of city construction and water infrastructure investment, operation and management, the Group has also forged close cooperative relationship with many leading water facilities construction and design enterprises in China.

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