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*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1129)**

**ANNOUNCEMENT  
UPDATE IN RELATION TO  
CONVERTIBLE BONDS ISSUED IN 2007**

The Company announces that it has unanimously reached in-principle agreement with all Bondholders on a consensual restructuring of its rights and obligations under the Convertible Bonds (subject to the final documentation being signed).

The Company refers to its announcement (the “June Announcement”) dated 10 June 2010 in relation to an aggregate principal amount of HK\$385,000,000 Convertible Bonds due 2012 (the “Convertible Bonds”) issued by the Company in 2007.

Since the June Announcement, the Company has received notices from all the holders of the Convertible Bonds requiring the Company to redeem all of outstanding Convertible Bonds on 3 August 2010 (the “Put Date”).

The Company would like to announce that it has unanimously reached in-principle agreement with all Bondholders on a consensual restructuring (the “Restructuring”) of the Company’s rights and obligations under the Convertible Bonds, including, without limitation, an extension of the repayment terms (subject to the final documentation being signed).

The Company will make a further announcement regarding the terms of the Restructuring of Convertible Bonds as soon as reasonably practicable after the final documentation being signed.

This announcement is not related to the Company’s announcement on 3 August 2010 which requested a suspension of trading in its shares pending the release of price sensitive information.

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

Hong Kong, 3 August 2010

*As at the date of this announcement, 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.*

\* *For identification purpose only*