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

**(Stock Code: 1129)**

**(1) TOP-UP PLACING AND TOP-UP SUBSCRIPTION  
AND  
(2) PLACING OF NEW SHARES UNDER GENERAL MANDATE**

**Placing Agent**



**KINGSTON SECURITIES LIMITED**

**THE TOP-UP PLACING**

On 9 August 2010, the Vendor, the Company and the Placing Agent entered into the Top-up Placing and Subscription Agreement pursuant to which the Vendor agreed to place, through the Placing Agent on a best effort basis, up to 265,476,000 Top-up Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners will not be connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules) at a price of HK\$0.108 per Top-up Placing Share. Pursuant to the Top-up Placing and Subscription Agreement, the Vendor conditionally agreed to subscribe for such number of Top-up Subscription Shares equal to the number of Top-up Placing Shares actually placed under the Top-up Placing at a price of HK\$0.108 per Top-up Subscription Share.

The Top-up Placing Price (or the Top-up Subscription Price) of HK\$0.108 represents:

- (i) a discount of approximately 18.80% to the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on the date of this announcement; and
- (ii) a discount of approximately 15.63% to the average closing price of approximately HK\$0.128 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of this announcement.

The maximum number of 265,476,000 Top-up Placing Shares (or the Top-up Subscription Shares) represents (i) approximately 9.81% of the existing issued share capital of the Company of 2,706,379,000 Shares as at the date of this announcement; (ii) approximately 8.93% of the issued share capital of the Company of 2,971,855,000 Shares as enlarged by the Top-up Subscription; and (iii) approximately 8.17% of the issued share capital of the Company of 3,247,651,000 as enlarged by the Top-up Subscription and the New Placing.

The Top-up Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-up Subscription Shares; and (ii) completion of the Top-up Placing.

The maximum gross proceeds from the Top-up Subscription will be approximately HK\$28.67 million. The maximum net proceeds of approximately HK\$27.67 million from the Top-up Subscription is intended to be utilized for general working capital purposes. The net proceeds raised per Share upon completion of the Top-up Subscription will be approximately HK\$0.104 per Share.

## **THE NEW PLACING**

On 9 August 2010, the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 275,796,000 New Placing Shares to not fewer than six Places who and whose ultimate beneficial owners will not be connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules).

The maximum number of 275,796,000 New Placing Shares under the New Placing represents (i) approximately 10.19% of the existing issued share capital of the Company of 2,706,379,000 Shares as at the date of this announcement; (ii) approximately 9.25% of the Company's issued share capital of 2,982,175,000 Shares as enlarged by the New Placing; and (iii) approximately 8.49% of the Company's issued capital of 3,247,651,000 Shares as enlarged by the Top-up Subscription and the New Placing.

The New Placing Price of HK\$0.108 represents:

- (i) a discount of approximately 18.80% to the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on the date of the announcement; and
- (ii) a discount of approximately 15.63% to the average closing price of HK\$0.128 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of the announcement.

The New Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the New Placing Shares.

The maximum gross proceeds from the New Placing will be HK\$29.79 million. The maximum net proceeds will be HK\$28.79 million from the New Placing is intended to be used for general working capital purposes. The net proceeds raised per Share upon the completion of the New Placing will be approximately HK\$0.104 per Share.

## **THE TOP-UP PLACING AND SUBSCRIPTION AGREEMENT**

### **Date**

9 August 2010 (after trading hours)

### **Parties involved**

The Vendor, the Company and the Placing Agent

## **THE TOP-UP PLACING**

### **Parties involved**

The Vendor and the Placing Agent

### **Placing Agent**

The Placing Agent has agreed to place, on a best effort basis, up to 265,476,000 Top-up Placing Shares to the Placees and will receive a placing commission of 2.5% on the gross proceeds of the actual number of Top-up Placing Shares being placed, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent and its ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules).

### **Placees**

The Placing Agent agreed to place the Top-up Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners will not be connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). It is not expected that any individual Placee will become a substantial Shareholder (as defined under the Listing Rules) of the Company immediately after the Top-up Placing.

### **Top-up Placing Price**

The Top-up Placing Price (or the Top-up Subscription Price) of HK\$0.108 represents:

- (i) a discount of approximately 18.80% to the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on the date of the announcement; and
- (ii) a discount of approximately 15.63% to the average closing price of HK\$0.128 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of the announcement.

The Top-up Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent on the date of the Top-up Placing and Subscription Agreement. The Directors consider that the terms of the Top-up Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **Number of the Top-up Placing Shares**

The maximum number of 265,476,000 Top-up Placing Shares (or the Top-up Subscription Shares) represents (i) approximately 9.81% of the existing issued share capital of the Company of 2,706,379,000 Shares as at the date of this announcement; (ii) approximately 8.93% of the issued share capital of the Company of 2,971,855,000 Shares as enlarged by the Top-up Subscription; and (iii) approximately 8.17% of the issued share capital of the Company of 3,247,651,000 as enlarged by the Top-up Subscription and the New Placing. The maximum nominal value of the Top-up Placing Shares (or the Top-up Subscription Shares) under the Top-up Placing will be HK\$26,547,600.

## **Ranking of Top-up Placing Shares**

The Top-up Placing Shares rank *pari passu* among themselves and with Shares in issue as at the date of this announcement.

## **Conditions of the Top-up Placing**

The Top-up Placing is unconditional.

## **Completion**

The Top-up Placing is expected to be completed on or before the fourth Business Day following the date of this Announcement or such other date as the Vendor and the Placing Agent shall agree.

## **THE TOP-UP SUBSCRIPTION**

### **Parties involved**

The Company and the Vendor

### **The Top-up Subscription Price**

The Top-up Subscription Price is HK\$0.108 per Top-up Subscription Share. The Top-up Subscription Price is the same to the Top-up Placing Price and was determined after arm's length negotiation between the Company and the Vendor with reference to the Top-up Placing Price of the Top-up Placing Shares.

### **Number of Top-up Subscription Shares**

The number of Top-up Subscription Shares is equivalent to the number of Top-up Placing Shares.

### **Ranking of Top-up Subscription Shares**

The Top-up Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with Shares in issue at the time of issue and allotment of the Top-up Subscription Shares.

### **The Top-up Subscription Shares**

The Top-up Subscription Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 541,275,800 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate.

### **Conditions of the Top-up Subscription**

The Top-up Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-up Subscription Shares; and
- (ii) completion of the Top-up Placing.

## **Completion**

Under 14A.31(3)(d) of the Listing Rules, the Top-up Subscription must be completed within 14 days from the date of the Top-up Placing and Subscription Agreement.

In the event that the conditions to the Top-up Placing and Subscription Agreement are not fulfilled by 23 August 2010, or such later date as may be agreed between the Company and the Vendor, the Company and the Vendor may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules (including the independent Shareholder's approval), to postpone completion of the Top-up Subscription to a later date to be agreed between the Company and the Vendor.

## **REASON FOR THE TOP-UP PLACING AND USE OF PROCEEDS**

The Group is principally engaged in the provision of water supply and sewage treatment business in the PRC and investment in financial and investment products.

The Directors considered various ways of raising funds and believe that the Top-up Placing and the Top-up Subscription represent an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Top-up Placing and Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

The maximum gross proceeds from the Top-up Subscription will be HK\$28.67 million. The maximum net proceeds of approximately HK\$27.67 million from the Top-up Subscription is intended to be utilized for general working capital purposes. The net proceeds raised per Share upon completion of the Top-up Subscription will be approximately HK\$0.104 per Share.

## **THE NEW PLACING AGREEMENT**

### **Date**

9 August 2010 (after trading hours)

### **Issuer**

The Company

### **Placing Agent**

The Placing Agent has conditionally agreed to place, on a best effort basis, up to 275,796,000 New Placing Shares to the Placees and will receive a placing commission of 2.5% on the gross proceeds of the actual number of New Placing Shares being placed. The Directors are of the view that the placing commission of 2.5% is fair and reasonable.

The Placing Agent and its ultimate beneficial owners are not connected persons (as defined in Listing Rules) of the Company and its connected persons (as defined in Listing Rules).

### **Placees**

The Placing Agent will place the New Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners will not be connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). It is not expected that any individual Placee will become a substantial Shareholder (as defined under the Listing Rules) of the Company immediately after the New Placing.

## **Number of New Placing Shares**

The maximum number of 275,796,000 New Placing Shares under the New Placing represents (i) approximately 10.19% of the existing issued share capital of the Company of 2,706,379,000 Shares as at the date of this announcement; (ii) approximately 9.25% of the Company's issued share capital of 2,982,175,000 Shares as enlarged by the New Placing; and (iii) approximately 8.49% of the Company's issued capital of 3,247,651,000 Share as enlarged by the Top-up Subscription and the New Placing. The maximum nominal value of the New Placing Shares under the New Placing will be HK\$27,579,600.

## **Ranking of New Placing Shares**

The New Placing Shares under the New Placing, when issued and fully paid, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the New Placing Shares.

## **New Placing Price**

The New Placing Price of HK\$0.108 represents:

- (i) a discount of approximately 18.80% to the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on the date of this announcement; and
- (ii) a discount of approximately 15.63% to the average closing price of HK\$0.128 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of this announcement.

The New Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent on the date of the New Placing Agreement. The Directors consider that the terms of the New Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

## **The New Placing Shares**

The New Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 541,275,800 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate.

## **Conditions of the New Placing Agreement**

Completion of the New Placing Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the New Placing Shares under the New Placing; and
- (ii) the obligation of the Placing Agent under the New Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof, including provision regarding force majeure events.

## **Completion of the New Placing**

Completion of the New Placing will take place within four Business Days after the fulfillment of the conditions set out in the New Placing Agreement but not later than 30 September 2010 or such later date as may be agreed between the Company and the Placing Agent.

## **REASONS FOR THE NEW PLACING AND USE OF PROCEEDS**

The Directors considered various ways of raising funds and believe that the New Placing represent an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the New Placing Agreement is in the interest of the Company and the Shareholders as a whole.

The maximum gross proceeds from the New Placing will be approximately HK\$29.79 million. The maximum net proceeds of approximately HK\$28.79 million from the New Placing is intended to be used for general working capital purposes. The net proceeds raised per Share upon the completion of the New Placing will be approximately HK\$0.104 per Share.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The following table summaries the fund raising activities of the Company in the last 12 months immediately before the date of this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds as at the date of this announcement</b>
6 August 2009	Top-up placing of 450,479,000 existing shares and top-up subscription for 450,479,000 new Shares at HK\$0.295 per Share	Approximately HK\$128.39 million	For future business development and for general working capital of the Group	Approximately HK\$47.26 million has been utilized as intended and the remaining balance is kept at financial institutions and will be used for further expansion and general working capital of the Group

## EFFECTS ON SHAREHOLDING STRUCTURE

	As at the date of this announcement		Immediately after the Top-up Placing but before the Top-up Subscription		Immediately after the Top-up Placing and the Top-up Subscription but before the New Placing		Immediately after the Top-up Placing and the Top-up Subscription and the New Placing	
	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %
The Vendor	265,479,000	9.81	3,000	0.00	265,479,000	8.93	265,479,000	8.17
Favor Jumbo (Note 1)	130,000,000	4.80	130,000,000	4.80	130,000,000	4.37	130,000,000	4.00
Sure Ability (Note 1)	55,000,000	2.03	55,000,000	2.03	55,000,000	1.85	55,000,000	1.69
Ms. Chu Yin Yin, Georgiana (Note 2)	5,432,000	0.20	5,432,000	0.20	5,432,000	0.18	5,432,000	0.17
Public:								
Placees of the Top-up Placing	-	0.00	265,476,000	9.81	265,476,000	8.93	265,476,000	8.17
Placees of the New Placing	-	0.00	-	0.00	-	0.00	275,796,000	8.49
Other public Shareholders	<u>2,250,468,000</u>	<u>83.16</u>	<u>2,250,468,000</u>	<u>83.16</u>	<u>2,250,468,000</u>	<u>75.74</u>	<u>2,250,468,000</u>	<u>69.31</u>
Total	<u><u>2,706,379,000</u></u>	<u><u>100.00</u></u>	<u><u>2,706,379,000</u></u>	<u><u>100.00</u></u>	<u><u>2,971,855,000</u></u>	<u><u>100.00</u></u>	<u><u>3,247,651,000</u></u>	<u><u>100.00</u></u>

### Notes:

1. Favor Jumbo Investment Limited (“Favor Jumbo”) and Sure Ability Limited (“Sure Ability”) are wholly owned subsidiaries of the Vendor.
2. An executive director of the Company.

## GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Top-up Subscription Shares and the New Placing Shares.

### Terms and definitions

“AGM”	the annual general meeting of the Company held on 3 June 2010
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday and public holiday) on which banks generally are open for business in Hong Kong
“Company”	China Water Industry Group Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the board of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Placing”	the placing of up to 275,796,000 New Placing Shares pursuant to the terms of the New Placing Agreement
“New Placing Agreement”	the conditional placing agreement dated 9 August 2010 entered into between the Company and the Placing Agent in relation to the New Placing
“New Placing Price”	HK\$0.108 per New Placing Shares
“New Placing Share(s)”	up to 275,796,000 new Shares to be placed pursuant to the New Placing Agreement
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Top-up Placing Share or New Placing Share pursuant to the Placing Agent’s obligations under the Top-up Placing and Subscription Agreement and the New Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“PRC”	The People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top-up Placing”	the placing of up to 265,476,000 existing Shares beneficially owned by the Vendor pursuant to the terms of the Top-up Placing and Subscription Agreement
“Top-up Placing and Subscription Agreement”	the agreement dated 9 August 2010 entered into between the Vendor, the Company and the Placing Agent in relation to the Top-up Placing and the Top-up Subscription
“Top-up Placing Price”	HK\$0.108 per Top-up Placing Share

“Top-up Placing Share(s)”	up to 265,476,000 existing Shares beneficially owned by the Vendor and to be placed pursuant to the Top-up Placing and Subscription Agreement
“Top-up Subscription”	the subscription of up to 265,476,000 Top-up Subscription Shares by the Vendor pursuant to the terms of the Top-up Placing and Subscription Agreement
“Top-up Subscription Price”	HK\$0.108 per Top-up Subscription Share
“Top-up Subscription Share(s)”	up to 265,476,000 new Shares to be subscribed for by the Vendor pursuant to the Top-up Placing and Subscription Agreement
“Vendor”	Boost Skill Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 60% by Mr. Yang Bin and as to 40% by Mr. Li Jian Ping
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 9 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*