

[For Immediate Release]



**CHINA WATER ACQUIRES 35% STAKE IN JINAN HONG QUAN WATER
SUPPLY LIMITED IN SHANDONG PROVINCE**

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**FIRST ACQUISITION OF PROVINCIAL WATER SUPPLY BUSINESS IN CHINA
SUPPLY CAPACITY TO INCREASE 4 FOLDS EXCEEDING 2 MILLION TONNES**

(Hong Kong – 29 November 2007) China Water Industry Group Limited (“China Water” or the “Company”) (stock code: 1129) has secured 35% stake in a provincial water supply project in Shandong - Jinan Hong Quan Water Supply Limited (“Jinan Hong Quan Water”) through the acquisition of Blue Mountain Hong Kong Group Limited by one of its indirectly wholly-owned subsidiary. Jinan Hong Quan Water is provincial water supply project in Shandong Province and the total consideration of HK\$230 million for the acquisition will be funded using internal cash.

Jinan Hong Quan Water is the monopoly water supply service enterprise in Jinan, holding a business license and exclusive right for an operation of 30 years for the drinkable water in the city. The company’s four wholly-owned subsidiaries boasting total supply capacity of 1.5 million tonnes, which is currently servicing a population of approximately 2.6 million in Jinan City. It also works with certain jointly operated companies on sewage treatment business and construction projects in Shandong province.

Mr. Zhong Wen Sheng, Managing Director of China Water Industry, said, “The acquisition is a major breakthrough for the Company’s water supply business. It is the first time we secured stake in a provincial water supply enterprise, it has increased the Company’s daily supply capacity four folds to exceeding 2 million tonnes. At the same time, it allows us to lay a solid foundation for developing into a large scale water supply group.”

Jinan, in northwestern Shandong Province, is the provincial capital. It has a population of 6 million in 2006. Taking into account the city’s strong demand for water supply, together with the scale and development potential of Jinan Hong Quan Water, the acquisition will significantly boost the Company’s income base, and in turn its financial performance in the future.

Mr. Zhong concluded, “This year, we have shifted our focus from investing in water supply business in small cities on to medium size cities. Securing stake Jinan Hong Quan Water is evidence of our determination and strength in realizing our targets and become a large scale water supply group. We believe our business works will bring good returns to our shareholders in the future.”

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*China Water Acquires 35% Stake in
Jinan Hong Quan Water Supply Limited in Shandong Province
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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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