

**CHINA WATER INDUSTRY ANNOUNCES**
ACQUISITION OF EIGHT SEWAGE TREATMENT AND WATER SUPPLY PROJECTS

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BUSINESS SCOPE EXTENDED TO NORTHERN AND WESTERN PRC
FURTHER STRENGTHEN PROFITABILITY

(Hong Kong, 20 August 2008) – China Water Industry Group Limited (“China Water Industry” or the “Group”) (stock code: 1129) today announced that its wholly-owned subsidiary has entered into an agreement with an independent party (the “Vendor”) about the acquisition of 100% issued share capital in Affluent Boom Enterprises Limited (“Affluent”).

Affluent is an investment holdings company, and its subsidiaries are involved in sewage treatment and water supply businesses in China. The water service group held by Affluent is currently operating seven sewage treatment plants in Huizhou City, Sihui City, Huidong County, Boluo County of Guangdong Province and Baoji City of Shaanxi Province, and one water supply plant in Tangshan City of Hebei Province, which is partially under construction and will commence operation by next year. The aggregate sewage water treatment capacity reached 480,000 tons per day, and the aggregate water supply capacity reaches 180,000 tons per day. The profits before taxation of Affluent for the year 2007 and first half year of 2008 are HK\$41,000,000 and HK\$29,730,000 respectively.

The total consideration of the acquisition of Affluent is HK\$700,000,000, among which i) as to RMB30,000,000 having been paid in two phases within 21 days from the date of the Agreement as deposit; ii) by issue of the Convertible Bond which to be matured in 2012, up to a maximum amount of HK\$585,000,000 to the Vendor on Completion; and iii) the remaining balance by way of allotment and issue of the Consideration Shares at the Issue Price.

The Vendor has unconditionally warranted and guaranteed a consolidated net profit after tax the Group would obtain from the acquisition during the first year, the second year and the third year after the acquisition shall not be less than RMB40,000,000, RMB80,000,000 and RMB120,000,000 respectively, and it shall deposit with an escrow agent the Certificates representing HK\$120,000,000 as a guarantee.

Huizhou, Huidong, Boluo and Sihui in Guangdong are located at the North-Eastern and North-Western end of the Pearl River Delta. With rapid growth in populations as well as economies, local governments in the area regarded sewage treatment projects and actively nourished corporations in the water industry. Sewage treatment fee at the area was RMB0.86 per ton to RMB1.10 per ton with sewage treatment scale growing on a stable track. At the same time, Baoji City and Tangshan City, being the industry hubs in the western and northern PRC, is where locally and internationally renowned large scale state-owned enterprise and large number of private and foreign-invested companies located. Industrial water usage and sewage treatment demand grew by high speed of 35% to 50% per annum and industrial-use water price is on a rising trend. Benefited from such a favourable environment and various policies, the eight sewage treatment and water supply projects have a huge development potential and very good profitability.

Mr. Li Yu Gui, Chairman of China Water Industry, said, "Apart from the number of water service corporations, the water service group controlled by Affluent is equipped with strong team of experienced environmental protection professionals, National Grade A standard pollution treatment facilities, as well as ISO9001 environmental project design and sewage treatment operations quality control certification. This acquisition is a very important milestone for China Water Industry as this raised the Group's water supply and sewage treatment capacity to 2,480,000 tons per day and 580,000 tons per day respectively. If the above is added to the water supply capacity of 3,050,000 tons per day and sewage treatment capacity of 835,000 tons per day of projects with letter of intent signed in Shenyang City, Yunfu City, and Geermu City, the total water supply capacity and sewage treatment capacity of the Group will reach 5,500,000 tons per day and 1,415,000 tons per day respectively. The group is getting closer and closer to its goal of attaining water supply capacity of 10,000,000 tons per day and sewage treatment capacity of 2,000,000 tons per day. Furthermore, the Group has successfully expanded its water business network to western and northern PRC, and gradually became a nation-wide influential water service group. We will actively pursuit and acquire more quality water service projects to strengthen the Group's profitability and bring better return to shareholders."

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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 these years. Recently, the Group has progressively acquired all or part of the interests in the water supply and/or sewage treatment projects in Yichun City and Yingtan City 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, Shangqiu City of Henan Province and Danzhou City of Hainan 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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List of sewage treatment and water supply projects under Affluent

Project name	Location	Term of operation	Daily water supply/ sewage treatment capacity	
Sewage treatment projects				
Da Xin Waterworks Management (Baoji) Co., Ltd.	Baoji City, Shaanxi Province	25 years	Approximately 38,000 tons	<ul style="list-style-type: none"> - Baoji City in western central Shaanxi Province comprises 9 counties and 3 districts of total area 18,000 sq. km. and has a population of 3,670,000 - Baoji has a strong industrial foundation, with state-owned enterprises, rural enterprises and multi-investor enterprises gaining strength since the country started to reform and open its economy - Economic growth has fuelled demand for sewage treatment
Boluo Municipal City Sewage Treatment Co., Ltd.	Boluo County, Guangdong Province	22 years	Approximately 30,000 tons	<ul style="list-style-type: none"> - Bolo County is in southeastern Guangdong Province, at the northeastern end of the Pearl River Delta and on the northern shore middle and downstream Dongjiang river - The county spans 2,795 sq. km. and has a population of 1,200,000. It is one of the modern industry and agricultural bases in Guangdong with vision transcending boundary. In 2007, it boasted a total domestic product of RMB19.81 billion in value - Rapid economic and population growth in areas along the Dongjiang river has led to discharge of untreated sewage into the river causing serious pollution. Thus, construction of the sewage treatment plant is necessary and urgent
Huidong Municipal Pingshan Sewage Treatment Factory Co., Ltd.	Huidong County, Guangdong Province	22 years	Approximately 40,000 tons	<ul style="list-style-type: none"> - Huidong County is in Daya Bay and Red Sea Bay, neighboring the Shenzhen Special Economic Zone and Shantou Special Economic Zone. It is a major transportation hub and product distribution center in eastern Guangdong Province - It is a major city on the ocean shore with land spanning 3,535 sq. km. and a population of 730,000. In 2007, its total domestic product value reached RMB17.82 billion - Pingshan Sewage Treatment Plant project is the first local sewage treatment plant in Huidong - The sewage treatment plant will not only help to improve water quality downstream West Lake, but will also help to enhance the general environment and ecological well-being of areas surrounding Huidong County

Huizhou No. 4 Sewage Treatment Co., Ltd.	Huizhou City, Guangdong Province	25 years	Approximately 30,000 tons	<ul style="list-style-type: none"> - Shuikou Town, Huicheng District is in eastern part of Huizhou City, neighboring the Huizhou Airport in the south and the Huizhou city area in the west. It is a key development focus of Guangdong Province - It has a total area of 120 sq. km. and a population of 100,000 - The arrival CNOOC and Shell Petrochemicals Company and their project in the town has brought its development and environmental endeavors under the spotlight - The revised overall plan of Shuikou predicts notable population and industrial growth for the town, which will lead to quick increase in sewage discharge - A new sewage treatment plan will help to address effectively the problem of pollution resulting from economic prosperity
Huizhou No. 6 Sewage Treatment Co., Ltd.	Huizhou City, Guangdong Province	22 years	Approximately 30,000 tons	<ul style="list-style-type: none"> - Huizhou City is in southeastern Guangdong Province and the northeastern end of the Pearl River Delta. It neighbors Daya Bay in the south and Hong Kong and Shenzhen. It is the home of two state-level development zones, namely the Daya Bay Economic and Technological Development Zone and Huizhou Zhongkai Hi-tech Development Zone - It has an area of 11,200 sq. m. and a total population of 2,600,000 - Currently, there is no central processing of sewage in Jiangbei and Qiaodong and the sewage collection engineering project in Hengjiangli has yet to be completed
Sihui City South China Waterworks Development Co., Ltd.	Sihui City, Guangdong Province	20 years	Approximately 50,000 tons	<ul style="list-style-type: none"> - Sihui City is in central-western Guangdong Province, on the northwestern brim of the Pearl River Delta and downstream the Xijiang, Beijiang and Suijiang rivers - It spans 1,163 sq. km. and has a population of about 440,000 - Rapid growth of the population, tertiary industries and other industries in the city has resulted in surge of urban household sewage and industrial waste water discharge
Sihui Urban City Sewage Treatment Co., Ltd.	Sihui City, Guangdong Province	30 years	Approximately 30,000 tons	<ul style="list-style-type: none"> - Having an urban sewage treatment plant in the city will effectively alleviate pollution in sections of the Suijiang and Longjiang rivers - Sewage will be collected within the boundary of Suijiang in the south and the urban area of Sihui city in the east and west and City Park also in the west, covering a total area of about 31 sq. km. and a population of 235,000

Water supply projects				
Tangshan City Hongxiang Waterworks Co., Ltd.	Laoting harbor front industrial park , Tangshan City, Hebei Province	Infinite	Approximately 180,000 tons	<ul style="list-style-type: none"> - Laoting County is in the southeastern part of Tangshan City, Hebei Province. It is one of the largest coastal counties in Hebei Province - Capitalizing on its advantage as a coastal county, Laoting has built an industrial park facing the ocean and so far major tenants such as Tangshan Heavy Plate plant and Baoye Coking plant have moved in - Enterprises building facilities there included Shougang steel plant, Tongle chemical plant, Xuyang Coking plant, cold rolled sheet of Tangshan Iron and Steel Co., shipbuilding factories and glacial acetic acid factories - Water consumption in 2008, 2009 and 2010 is estimated at 22,360,000 tons, 42,210,000 tons and 63,750,000 tons respectively
Da Xin Waterworks Management (Huizhou) Co., Ltd.	Huizhou City, Guangdong Province	30 years	Approximately 38,000 tons	<ul style="list-style-type: none"> - Fixed annual income of RMB15,000,000 for provision of management and technological consultancy