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

**(Stock Code: 1129)**

## **ANNOUNCEMENT**

### **LETTER OF INTENT IN RELATION TO PROPOSED ESTABLISHMENT OF A JOINT VENTURE COMPANY**

The Board announces that after trading hours on 16 June 2008, China Water, an indirect wholly-owned subsidiary of the Company, entered into the Letter of Intent with the JV Partner, pursuant to which China Water has agreed to establish the JV Company with the JV Partner to principally engage in water supply and sewage treatment for Geermu City\* (格爾木市) in Qinghai Province (青海省) of the PRC. The estimated aggregate water supply capacity of the JV Company is 100,000 tones per day. The proposed establishment of the JV Company is subject to the entering into of the JV Agreement by China Water and the JV Partner. Upon the establishment of the JV Company, it will be held as to 80% by China Water and 20% by the JV Partner.

The entering into of the JV Agreement, if it materialises, may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement will be made by the Company when the JV Agreement is signed.

**Shareholders and/or investors should note that the proposed entering into of the JV Agreement and the establishment of the JV Company may or may not proceed and that no legally binding document has been executed. Accordingly, shareholders of the Company are therefore advised to exercise caution when trading in the Company's shares.**

The board of directors of the Company (the “**Board**”) announces that after trading hours on 16 June 2008, China Water Industry (Hong Kong) Limited (“**China Water**”), an indirect wholly-owned subsidiary of the Company, entered into a letter of intent (the “**Letter of Intent**”) with 格爾木市政府國有資產監督委員會 (Stated-owned Assets Supervisory Committee of Geermu Municipal Government\*) (the “**JV Partner**”), pursuant to which China Water has agreed to form a joint venture company (the “**JV Company**”) with the JV Partner to principally engage in the water supply and sewage treatment for Geermu City\* (格爾木市) in Qinghai Province (青海省) of the PRC.

The JV Partner shall make capital contribution to the JV Company in the form of cash and by way of injecting its assets in 格爾木市自來水有限公司 (Geermu Water Supply Company Limited\*) to the JV Company and China Water shall make capital contribution to the JV Company in the form of cash. Upon the establishment of the JV Company, it will be held as to 80% by China Water and 20% by the JV Partner. The term of operation of the JV Company shall be 30 years. The amount of the registered capital to be contributed by China Water and the JV Partner to the JV Company shall be agreed upon by the parties in the formal joint venture agreement to be entered into by China Water and the JV Partner (the “**JV Agreement**”).

Neither party to the Letter of Intent has any binding obligations to form the JV Company as such is subject to the entering into of the JV Agreement. The entering into of the JV Agreement, if it materialises, may constitute a notifiable transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Further announcement will be made by the Company when the JV Agreement is signed.

To the best of the directors’ knowledge, information and belief having made all reasonable enquiry, the JV Partner together with its respective ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its subsidiaries, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules.

**Shareholders and/or investors should note that the proposed entering into of the JV Agreement and the establishment of the JV Company may or may not proceed and that no legally binding document has been executed. Accordingly, shareholders of the Company are therefore advised to exercise caution when trading in the Company’s shares.**

As at the date of this announcement, the Company has entered into five letters of intent in respect of the formation of joint venture companies to engage in construction and acquisition of water supply plants and sewage treatment plants in the PRC (the “Proposed Transactions”) as disclosed in the announcements of the Company dated 15 March 2007, 20 April 2007, 13 August 2007, 28 August 2007 and 9 October 2007. The Company is still in discussions with the relevant parties in respect of the Proposed Transactions and no joint venture agreement or any legally binding document in respect of the Proposed Transactions has been entered into by the Company as at the date of this announcement.

By Order of the Board  
**China Water Industry Group Limited**  
**Zhong Wen Sheng**  
*Managing Director*

Hong Kong, 16 June 2008

\* *for identification purpose only*

*As at the date of this announcement, the board of directors of the Company comprises Mr. Sze Chun Ning, Vincent, Mr. Shi De Mao, Ms. Chu Yin Yin, Georgiana, Mr. Zhong Wen Sheng, Mr. Liu Bai Yue, Mr. Liu Peng Cheng and Mr. Li Yu Gui, all being the executive directors, Mr. Huang Yuan Wen and Mr. Pan Shi Ying, all being the non-executive directors and Mr. Chang Kin Man, Mr. Wu Tak Lung and Mr. Gu Wen Xuan, all being the independent non-executive directors.*