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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1129)

ANNOUNCEMENT INCREASE IN WATER TARIFFS

This announcement is made under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”).

The board of directors of the Company announces that on 21st March, 2007, the People’s Government of Yichuan City, Jiangxi Province, the People’s Republic of China approved the increase in water tariffs of Yichuan City with effect from 1 April 2007. The water tariff: (a) for household usage will be increased from RMB0.9 to RMB1.04 per tone; (b) for administrative business usage will be newly charged at RMB1.15 per tone; (c) for industrial usage will be increased from RMB1.10 to RMB1.27 per tone; (d) for operational and infrastructure usage will be increased from RMB1.40 to RMB1.86 per tone; and (e) for special industrial usage will be maintained at RMB5.5 per tone. The adjusted water tariffs do not include sewage treatment fee. The new sewage treatment fee for water usage by administrative business will be charged at RMB0.25 per tone.

Yichuan Water Industry Co. Limited (“Yichuan Water Industry”) is currently engaged in the water supply industry by supplying drinkable water to the residents in Yichun City. As at the date of this announcement, the Company, through its wholly-owned subsidiary, holds a 40% of the entire issued share capital of Onfar International Limited (“Onfar International”), which holds a total of 51% equity interest in Yichuan Water Industry. Effectively, the Company currently holds a 20.4% indirect interest in Yichuan Water Industry. As disclosed in the announcement of the Company dated 13 March 2007, the Company, through its wholly-owned subsidiary, had entered into an agreement with Boost Skill Investments Limited in relation to the acquisition of 60% of the entire issued share capital of Onfar International (the “Proposed Transaction”). The Group will hold a 51% indirect interest in Yichuan Water Industry if the Proposed Transaction is completed.

The impact of the said increase in water tariffs on the financial position of the Group is subject to audit and it may or may not have a material impact on the financial position of the Group.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

By Order of the Board
China Water Industry Group Limited
Chu Yin Yin, Georgiana
Executive Director

Hong Kong, 28 March, 2007

** for identification purpose only*

As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Chia Chin, Mr. Sze Chun Ning, Vincent, Mr. Shi De Mao, Ms. Chu Yin Yin, Georgiana, Mr. Zhong Wen Sheng, Mr. Wang Xiao Bo and Mr. Liu Bai Yue, 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.