



(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1129)

**ANNOUNCEMENT
IN RELATION TO
PRICE SENSITIVE INFORMATION
AND
RESUMPTION OF TRADING**

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

The Company has noted the increase in the price and trading volume of the shares of the Company today and wish to state that we are not aware of any reasons for such an increase in price and trading volume save for after trading hours on 19th April, 2007, 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 the construction and operation of water supply plants with aggregate water supply capacity of 1 million tonnes per day for 商丘市城區 (the urban area of Shang Qiu City*), 永城市 (Yong Cheng City*), 夏邑縣 (Xia Yi District*), 虞城縣 (Yu Cheng District*), 柘城縣 (Zhe Cheng District*), 寧陵縣 (Ning Ling District*), 睢縣 (Ju District*) and 民權縣 (Min Quan District*) of the PRC. 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 51% by China Water and 49% 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.

Save as disclosed above, the Company confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price sensitive nature.

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.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 3:49 p.m. on Friday, 20th April, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on Monday, 23rd April, 2007.

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has noted the increase in the price and trading volume of the shares of the Company today and wish to state that we are not aware of any reasons for such an increase in price and trading volume save for after trading hours on 19th April, 2007, China Water Industry (Hong Kong) Limited ("China Water"), an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding letter of intent (the "Letter of Intent") with 河南省商丘市公用事業管理局 (Public Utility Management Bureau of Shang Qiu City in Henan Province*) of the People's Republic of China (the "JV Partner"), pursuant to which China Water has agreed to form a joint venture company named 商丘正源水務有限公司 (Shang Qiu Zheng Yuan Water Company Limited*, the "JV Company") with the JV Partner to principally engage in the construction and operation of water supply plants with aggregate water supply capacity of 1 million tonnes per day for 商丘市城區 (the urban area of Shang Qiu City*), 永城市 (Yong Cheng City*), 夏邑縣 (Xia Yi District*), 虞城縣 (Yu Cheng District*), 柘城縣 (Zhe Cheng District*), 寧陵縣 (Ning Ling District*), 睢縣 (Ju District*) and 民權縣 (Min Quan District*) of the People's Republic of China (the "PRC"). China Water finalized the terms of the Letter of Intent and entered into the Letter of Intent with the JV Partner at 8:13 p.m. on 19th April, 2007.

Pursuant to the Letter of Intent, the JV Partner shall make capital contribution by way of injecting its assets 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 51% by China Water and 49% by the JV Partner.

The proposed establishment of the JV Company shall be subject to the entering into of a formal joint venture agreement (the "JV Agreement") by China Water and 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.

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.

Save as disclosed above, the Company confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

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.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 3:49 p.m. on Friday, 20th April, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on Monday, 23rd April, 2007.

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

Hong Kong, 20th April, 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.