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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1129)

**DISCLOSEABLE TRANSACTION
RELATING TO ACQUISITION OF 100% SHAREHOLDING IN
AND SHAREHOLDER'S LOAN DUE BY
BLUE MOUNTAIN HONG KONG GROUP LIMITED
PRICE SENSITIVE INFORMATION**

The Board announces that on 26 November 2007, the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Debt for a total consideration of HK\$230 million which will be paid in cash.

Blue Mountain is an investment holding company and is the registered and beneficial owner of a 35% equity interest in Jinan Hong Quan Water. Jinan Hong Quan Water is a sino-foreign joint venture enterprise established as to 35% by Blue Mountain and as to 65% jointly by other three PRC joint venture partners, all being Independent Third Parties, on 11 December 2006 in the PRC whereas Blue Mountain is the single largest shareholder. Jinan Hong Quan Water has obtained a business license and exclusive right from relevant PRC authority for an operation of 30 years for the supply of drinkable water in Jinan City, Shandong Province, the PRC. Jinan Hong Quan Water, through its four wholly-owned water-supply subsidiaries, has a daily water supply capacity of approximately 1.5 million tonnes.

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

At the request of the Company, trading in the Shares was suspended at 10:18 a.m. on 26 November 2007 pending the release of this announcement. Trading in the Shares will remain suspended pending the release of another announcement in relation to a possible very substantial acquisition of controlling interest in a company which shares are listed on GEM.

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

The Board announces that on 26 November 2007, the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Debt for a total consideration of HK\$230 million which will be paid in cash. Reference is also made to the Company's announcement dated 22 November 2007 regarding, inter alia, the unusual price and trading volume movement of the Company and the preliminary discussion with an Independent Third Party relating to the possible acquisition of water related project in the PRC.

THE AGREEMENT

Date

26 November 2007

Parties

Purchaser: Smart Giant Group Limited, a direct wholly-owned subsidiary of the Company

Vendor: Mega Mount Group Limited

The Vendor is an investment holding company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Vendor and its ultimate beneficial owner is an Independent Third Party and does not have any prior business relationship or transaction with the Company prior to the entering into of the Agreement.

Assets to be acquired

- (i) the Sale Share, being the entire issued share capital of Blue Mountain; and
- (ii) the Sale Debt, representing the total amount due by Blue Mountain to the Vendor as at the Completion Date.

Consideration

The total consideration for the Acquisition is HK\$230 million. A refundable deposit of HK\$50 million has been paid upon signing of the Agreement and the remaining balance, HK\$180 million, shall be paid in cash upon Completion. The Consideration will be satisfied from the Group's internal resources.

The Consideration was arrived at after arm's length negotiations between the parties with reference to the unaudited net assets value of Blue Mountain as at 30 September 2007 of approximately HK\$24.2 million (including the face value of the total amount due by Blue Mountain to the Vendor as at 30 September 2007 of approximately HK\$47.7 million) and the total amount due by Blue Mountain to the Vendor as at 30 September 2007. In addition, as Blue Mountain is the registered and beneficial owner of 35% equity interest in Jinan Hong Quan Water, in determining the Consideration, the Directors have also considered the net profit of Jinan Hong Quan Water for the period from the date of incorporation (i.e. 8 February 2007) to 30 September 2007 of RMB29.7 million, net assets value of Jinan Hong Quan Water as at 30 September 2007 of approximately RMB167.7 million, the daily water supply capacity of Jinan Hong Quan Water of approximately 1.5 million tonnes and the business potential of water supply business in Jinan City, Shandong Province, the PRC in view of the demand for the water supply in Jinan City and that Jinan Hong Quan Water is the dominant player in water supply service in Jinan City.

Upon Completion, the Sale Debt will become an amount due to the Purchaser and Blue Mountain will become a wholly-owned subsidiary of the Company. It is the intention of the Purchaser to capitalize such an amount upon Completion (the "Proposed Capitalisation"). Assuming that the Proposed Capitalisation is completed, it is expected that the net assets value of Blue Mountain will be increased by the amount of the Sale Debt. Based on the Consideration of HK\$230 million and the net asset value of Blue Mountain as at 30 September 2007 as adjusted by the Proposed Capitalisation of approximately HK\$71.9 million, the Consideration represents a price-to-book ratio of approximately 3.2 times. Taking into account of the Acquisition would allow the Company to invest in the water supply business in one of the major cities like Jinan with a significant daily water supply capacity of approximately 1.5 million tonnes and profitable record and that Blue Mountain is the single largest shareholder of Jinan Hong Quan Water, the Directors (including independent non-executive Directors) consider the Consideration (representing a price-to-book ratio of approximately 3.2 times as described above) is fair and reasonable.

Conditions precedent

Completion is conditional upon, among other things, the following conditions being fulfilled (or waived) on or before 25 May 2008 (or such other date as may be agreed by the parties):

- (i) the approval on the announcement and circular of the Company in relation to the Acquisition made pursuant to the Listing Rules having been obtained from the Stock Exchange;
- (ii) all necessary approvals, consents, registration and filing procedures from relevant governments or regulatory authorities in connection with the transactions contemplated by the Agreement having been obtained/completed;
- (iii) the Purchaser having conducted a due diligence review and investigation on Blue Mountain, Jinan Hong Quan Water and its subsidiaries and the Purchaser being satisfied with the results thereof;
- (iv) the warranties contained in the Agreement remaining true and accurate and not misleading at the Completion Date as if repeated at the Completion Date and at all times between the date of the Agreement and the Completion Date;
- (v) the Purchaser having obtained a PRC legal opinion in form and substance to its satisfaction on the transactions contemplated under the Agreement; and
- (vi) the Purchaser having obtained an independent valuation of the total assets of Jinan Hong Quan Water and its subsidiaries of not less than RMB810 million as at 30 September 2007.

All of the conditions are waivable by the Purchaser except for conditions (i), (ii) and (iii). If any of the conditions has not been fulfilled or waived by the Purchaser on or before 25 May 2008, or such other date as the parties may otherwise agree, the Agreement shall lapse and be terminated and no party to the Agreement shall have any liability under the Agreement (without prejudice to the rights of the parties in respect of any antecedent breaches). As at the date of this announcement, none of the above conditions have been fulfilled (or waived).

Completion

Completion shall take place on the date of the fulfillment (or, as the case may be, waiver) of the conditions precedent.

Upon Completion, Blue Mountain will become a wholly-owned subsidiary of the Company and its results will be consolidated in the Group after Completion.

INFORMATION ON BLUE MOUNTAIN AND JINAN HONG QUAN WATER

Blue Mountain is an investment holding company and is the registered and beneficial owner of a 35% equity interest in Jinan Hong Quan Water. So far as the Directors are aware of, having made all reasonable enquiry, save for the investment in Jinan Hong Quan Water, Blue Mountain has no other investments or subsidiaries as at the date of this announcement.

Jinan Hong Quan Water is a sino-foreign joint venture enterprise established as to 35% by Blue Mountain and as to 65% jointly by other three PRC joint venture partners, all being Independent Third Parties, on 11 December 2006 in the PRC whereas Blue Mountain is the single largest shareholder. Jinan Hong Quan Water has a registered capital of RMB138 million (equivalent to approximately HK\$144.9 million). As at the date of this announcement, all shareholders of Jinan Hong Quan Water except one PRC joint venture partner have satisfied in full their respective capital contribution obligation. An undertaking has been given by that PRC joint venture partner to the Purchaser that all unpaid registered capital, amounted to approximately RMB10.5 million (equivalent to approximately HK\$11.0 million), will be settled before the Completion Date. Jinan Hong Quan Water has obtained a business license and exclusive right from relevant PRC authority for an operation of 30 years for the supply of drinkable water in Jinan City, Shandong Province, the PRC. Jinan Hong Quan Water, through its four wholly-owned water-supply subsidiaries, has a daily water supply capacity of approximately 1.5 million tonnes. Furthermore, Jinan Hong Quan Water has investment in some associated companies principally engaged in sewage treatment business and engineering construction work in Shandong Province, the PRC.

Based on the unaudited financial information of Blue Mountain prepared in accordance with HKGAAP, Blue Mountain recorded an interest in associate of approximately HK\$71.9 million (including the investment cost of approximately HK\$47.7 million and share of associate's profit of approximately HK\$24.2 million), unaudited net assets value of approximately HK\$24.2 million as at 30 September 2007, and an unaudited profit both before and after taxation for the period from 8 February 2007 (date of incorporation) to 30 September 2007 of approximately HK\$24.2 million, mainly derived from share of profit from its 35% equity interest in Jinan Hong Quan Water.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is currently engaged in the production and sales of computer peripherals, trading of watches and accessories and provision of water supply and sewage treatment in the PRC. As stated in the Company's interim report for the six months ended 30 June 2007, the core business of the Group has been completely redirected to water related investment and scale of operation of those businesses other than water related investment have been significantly downsized during the first half of 2007.

As stated in the Company's interim report for the six months ended 30 June 2007, the PRC is one of the largest countries in the world suffering severe water shortage and water pollution. To cope with the enormous demand for water as a result of urbanization and industrialization and curb the spread of water pollution, the PRC government has been actively introducing extensive measures, including raising water prices and encouraging foreign and private enterprises to invest in the water industry. The Board is optimistic that the rapid social and economic development in the PRC and the measures adopted by the PRC government have brought a prosperous future for water industry in the PRC. The Group will focus on expanding its investment business in this industry. Since the first half of 2007, the Group has shifted its investment focus in the water industry from small cities to medium-sized cities. It is expected that the Group will continue to focus on acquiring water related projects in large and medium-sized cities in the second half of 2007, with a view to establishing a regional water supply group enterprise that covers services to all large, medium-sized and small cities. Meanwhile, the Group will also increase its investment in sewage treatment in an appropriate scale. At present, the Group has an aggregate water supply capacity of approximately 571,400 tonnes per day.

Jinan City is located at the north west of the Shandong Province and is the capital of Shandong Province with a total population of approximately 6.0 million in 2006. Jinan Hong Quan Water has a daily water supply capacity of approximately 1.5 million tonnes and, through its four wholly-owned subsidiaries, is currently responsible for the water supply service in Jinan City for a population of approximately 2.6 million. Through the Acquisition, the Group is able to further strengthen its provision of water supply and sewage treatment business in the Shandong Province, the PRC, which the Group considers has growth potential and is in line with the Group's business strategy. In view of the great demand of the water supply service in Jinan City, the Company believes that the Acquisition will enable the Company to broaden its revenue base and further improve the financial performance of the Company.

The Directors (including independent non-executive Directors) are of the view that the business to be conducted by Jinan Hong Quan Water under the Acquisition is in the ordinary and usual course of business of the Company, the terms of the Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

GENERAL

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended at 10:18 a.m. on 26 November 2007 pending the release of this announcement. Trading in the Shares will remain suspended pending the release of another announcement in relation to a possible very substantial acquisition of controlling interest in a company which shares are listed on GEM.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the proposed acquisition of the Sale Share and the Sale Debt pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 26 November 2007 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Blue Mountain”	Blue Mountain Hong Kong Group Limited, a company established in Hong Kong with limited liability
“Board”	board of Directors
“BVI”	the British Virgin Islands
“Company”	China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability and whose issued shares are listed on the main board of the Stock Exchange
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date of Completion
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKGAAP”	accounting principles generally accepted in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected person (as defined under the Listing Rules) of the Company and are not connected persons(as defined under the Listing Rules) of the Company
“Jinan Hong Quan Water”	濟南泓泉制水有限公司(Jinan Hong Quan Water Supply Limited*), a sino-foreign joint venture enterprise incorporated in the PRC which equity capital is held as to 35% by Blue Mountain and as to 65% jointly by other three PRC joint venture partners, all being Independent Third Parties

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Smart Giant Group Limited, a direct wholly-owned subsidiary of the Company incorporated in the BVI with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Debt”	HK\$47,730,224, being the face value of the total amount due by Blue Mountain to the Vendor as at the Completion Date, which sum is interest free and has no fixed repayment date
“Sale Share”	an ordinary share of Blue Mountain, being the entire issued share capital of Blue Mountain
“Share(s)”	fully paid ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mega Mount Group Limited, a company established in the BVI with limited liability
“%”	per cent.

Unless otherwise specified in this announcement, translation of RMB into HK\$ is made in this announcement, for illustration purpose only, at the rate of RMB1 to HK\$1.05. No representation is made that any amount in RMB could have been or could be converted at such rate or any other rates.

By Order of the Board
Zhong Wen Sheng
Managing Director

Hong Kong, 29 November 2007

As at the date of this announcement, the Board comprises Mr. Wang Chia Chin, 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.

* *for identification only*