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*(Incorporated in Cayman Islands with limited liability)*

**(Stock code: 1129)**

## **DISCLOSEABLE TRANSACTION IN RELATION TO DEEMED DISPOSAL OF 40% INTEREST IN A SUBSIDIARY**

On 10 February 2012, Super Sino and Dang Shan County Water Bureau entered into the Agreement in relation to the Capital Injection by Dang Shan County Water Bureau in the amount of RMB10 million to Dang Shan as its registered capital. After the Capital Injection, Dang Shan will change from a wholly-owned foreign enterprise to a Sino-foreign equity joint venture in which Super Sino and Dang Shan County Water Bureau will be interested in as to 60% and as to 40% respectively.

After the Deemed Disposal, Dang Shan will change from a subsidiary of the Company to a joint venture in which the Company has 60% equity interest.

The Capital Injection reduces the equity interest of Super Sino in Dang Shan from 100% to 60%, which constitutes a deemed disposal of the Company. As one of the relevant applicable percentage ratios in respect of the Deemed Disposal is greater than 5% but less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

### **INTRODUCTION**

On 10 February 2012, Super Sino and Dang Shan County Water Bureau entered into the Agreement in relation to the Capital Injection by Dang Shan County Water Bureau in the amount of RMB10 million to Dang Shan as its registered capital. After the Capital Injection, Dang Shan will change from a wholly-owned foreign enterprise to a Sino-foreign equity joint venture in which Super Sino and Dang Shan County Water Bureau will be interested in as to 60% and as to 40% respectively.

### **THE AGREEMENT**

#### **Date**

10 February 2012

#### **Parties**

- (i) Super Sino; and
- (ii) Dang Shan County Water Bureau.

\* *for identification purpose only*

To the best of the knowledge, information and belief of the Board after having made all reasonable enquiries, Dang Shan County Water Bureau and its ultimate beneficial owners are third parties independent of and not connected with any directors, chief executive or substantial shareholders of the Company under the Listing Rules.

### **Capital Injection**

Pursuant to the Agreement, the Capital Injection by Dang Shan County Water Bureau in the amount of RMB10 million performs in the following manner:

- (i) RMB4 million will be injected as cash capital on or before 28 February 2012 which will be used for the development and construction of the water source in the old district of Dang Shan County; and
- (ii) RMB6 million has been invested into Dang Shan's development projects of water supply pipeline network.

As at the date of this announcement, the total capital injected by Super Sino to Dang Sang amounted to RMB15 million. Following the Capital Injection, the registered capital of Dang Shan will increase to RMB25 million of which 60% will be held by Super Sino and 40% will be held by Dang Shan County Water Bureau.

### **INFORMATION OF THE COMPANY**

The Group is principally engaged in provision of water supply and sewage treatment as well as construction services in the PRC.

### **INFORMATION OF DANG SHAN**

Dang Shan is a limited company incorporated in the PRC. After the Capital Injection, Dang Shan will change from a wholly-owned foreign enterprise to a Sino-foreign equity joint venture. The principal activities of Dang Shan will remain as provision of water supply by supplying drinkable water to the residents and enterprises in downtown area of Dang Shan County, Auhui Province, PRC. Dang Shan has been granted a water supply licence for 30 years starting from 2004 till 2034 to supply drinkable water in the district.

After the Deemed Disposal, Dang Shan will change from a wholly owned subsidiary of the Company to a joint venture in which the Company has 60% equity interest.

### **INFORMATION OF DANG SHAN COUNTY WATER BUREAU**

Dang Shan County Water Bureau, a bureau-level department under the municipal government within the PRC, is responsible for carrying out the policies and regulations of water affairs works of Dang Shan County; organizing and working out the development planning of water affairs of the Dang Shan County; working on water resource protection planning in conformity with relevant laws, regulations and standards of national resource and environmental protection and overseeing the management of the city's water affairs enterprises.

## **REASONS FOR AND BENEFITS OF THE AGREEMENT**

The Company considers that in order to meet with the water consumption demand within Dang Shan County, it is necessary to enhance the water supply network within the county. Operating a joint venture with the Dang Shan County Water Bureau can fulfill this objective by bringing in expertise and to improve the entire water supply system within Dang Shan County, as well as to get in line with the pace of infrastructure development within the county. Also, the Capital Injection can strengthen the capital base of Dang Shan.

The Directors (including independent non-executive Directors) believe that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Capital Injection reduces the equity interest of Super Sino in Dang Shan from 100% to 60%, which constitutes a deemed disposal of the Company. As one of the relevant applicable percentage ratios in respect of the Deemed Disposal is greater than 5% but less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Agreement”	an agreement dated 10 February 2012 entered into between Dang Shan County Water Bureau and Super Sino in relation to the Capital Injection and the joint venture co-operation
“Board”	the board of Directors
“Company”	China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
“Capital Injection”	the injection of RMB10 million by Dang Shan County Water Bureau to Dang Shan
“Dang Shan”	Anhui Dang Shan Water Industry Company Limited* (安徽省碭山水業有限公司), a domestic company incorporated in the PRC with limited liability
“Dang Shan County Water Bureau”	The Water Affairs Bureau of Dang Shan County, Anhui Province, the PRC
“Deemed Disposal”	a deemed disposal of the Company’s 40% equity interests in Dang Shan resulting from the Capital Injection

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shares”	ordinary share(s) of HK\$1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Super Sino”	Super Sino Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**China Water Industry Group Limited**  
**Wang De Yin**  
*Chairman*

Hong Kong, 10 February 2012

*As at the date of this announcement, the Board comprises Mr. Wang De Yin, Mr. Yang Bin, Mr. Liu Feng, Mr. Lin Yue Hui, Mr. Tang Hui Ping and Ms. Chu Yin Yin, Georgiana, all being executive Directors, and Mr. Chang Kin Man, Mr. Wu Tak Lung and Mr. Gu Wen Xuan, all being independent non-executive Directors.*