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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1129)

PROFIT WARNING

This announcement is made by China Water Industry Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Board**”) of the Company wishes to inform shareholders and potential investors of the Company that the estimated loss of the Group for the year ended 31 December 2010 might be substantially reduced due to the decrease in the loss attributable to the change in fair value of convertible bonds and significant improvement in net gain on disposal of available-for-sale investments of the Group as compared to the year ended 31 December 2009.

As the Company is still in the process of compiling and finalizing the annual results of the Group for the year ended 31 December 2010, the information contained in this announcement is derived from preliminary assessment by the Company’s management based on the preliminary unaudited management accounts of the Group which have not been audited or reviewed by the Company’s auditors.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China Water Industry Group Limited
Li Yu Gui
Chairman

Hong Kong, 25 March 2011

As at the date of this announcement, the Board comprises Mr. Li Yu Gui, Mr. Yang Bin, Ms. Chu Yin Yin, Georgiana, Mr. Li Wen Jun and Mr. Tang Hui Ping, all being executive directors, and Mr. Chang Kin Man, Mr. Wu Tak Lung and Mr. Gu Wen Xuan, all being independent non-executive directors.

* *for identification purpose only*