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中國水務集團有限公司*
China Water Affairs Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 855)

PROFIT WARNING

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

The Board wishes to inform the shareholders and potential investors of the Company that it is expected that the unaudited interim results of the Group for the six months ended 30 September 2011 may experience a decline compared with the corresponding period in 2010.

Based on the information currently available, the Board believes that such decline would be mainly due to (i) the absence of significant one-off gain on disposal of assets classified as held for sale as occurred during the corresponding period in 2010 and (ii) decrease in fair value gain of derivative financial instruments (including conversion options embedded in convertible bonds and warrants). For the avoidance of doubt, the said decrease in fair value gain of derivative financial instruments do not relate to the Group's core business in urban water supply and sewage treatment in the PRC.

The information in this announcement are estimates based on the Board's preliminary assessment of the unaudited management accounts of the Group and such information has not been audited or reviewed by the Company's auditor. The Company is still in the course of preparing the Group's interim results for the six months ended 30 September 2011.

In view of the PRC government's published policy on water conservancy, the entire water industry is expected to experience ample growth. The Company is optimistic while cautious of the prospects and will seize this unprecedented opportunity to strive for becoming a leading integrated water solution provider in the PRC.

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Board”	the Board of directors of the Company
“Company”	China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

As at the date of this announcement, the Board comprises two executive Directors, being Mr. Duan Chuan Liang and Mr. Li Ji Sheng, four non-executive Directors, being Mr. Wu Jiesi, Mr. Chen Guo Ru, Mr. Zhao Hai Hu and Mr. Zhou Wen Zhi, and four independent non-executive Directors, being Ms. Huang Shao Yun, Ms. Liu Dong, Mr. Chau Kam Wing and Mr. Ong King Keung.

By order of the Board
China Water Affairs Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 14 October 2011

* *For identification purposes only*