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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 2008 may experience a significant decline compare with the corresponding period in 2007. Based on the information currently available, the Board believes that such decline would be mainly due to the unrealized loss on the fair value changes on the Group's financial assets as a result of the recent general downturn in the financial markets. Such financial assets mainly consist of listed and unlisted equity investments in Hong Kong and the PRC. For the avoidance of doubt, the said unrealized loss on the fair value changes do not relate to the Group's core business in city 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 auditors. The Company is still in the course of preparing the Group's interim results for the six months ended 30 September 2008.

**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, 17th October 2008

\* *For identification purposes only*