CHINA WATER AFFAIRS GROUP LIMITED
中國水務集團有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code 855)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2008

RESULTS

The Board of Directors (the "Directors") of China Water Affairs Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000* (restated)
Continuing operations			
Revenue	4	**765,538**	134,735
Cost of sales		**(498,531)**	(78,521)
Gross profit		**267,007**	56,214
Valuation surplus on investment properties		**104,987**	40,890
Fair value gain on financial assets at fair value through profit or loss		**279,264**	102,266
Other income	4	**64,263**	35,098
Selling and distribution costs		**(21,098)**	(9,705)
Administrative expenses		**(131,461)**	(67,537)
Equity-settled share options expenses		**(49,526)**	–
Other operating expenses		**(9,626)**	(7,613)
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds)		**(66,092)**	–
Impairment loss on available-for-sale financial assets		**(73,457)**	–
Loss on disposal of subsidiaries		**–**	(357)
Profit from operation	5	**364,261**	149,256
Finance costs	6	**(67,421)**	(19,475)
Share of results of associates		**13,644**	9

	Notes	2008 HK$'000	2007 HK$'000 (restated)
Profit before income tax		**310,484**	129,790
Income tax expense	7	**(135,111)**	(44,512)
Profit for the year from continuing operations		**175,373**	85,278
Discontinued operation			
Profit for the year from a discontinued operation		**344,631**	17,666
Profit for the year		**520,004**	102,944
Attributable to:			
Equity holders of the Company		**427,242**	63,379
Minority interests		**92,762**	39,565
Profit for the year		**520,004**	102,944
Earnings per share attributable to equity holders of the Company during the year	8	**HK cents**	HK cents
Basic			
– For profit for the year		**34.62**	6.55
– For profit from continuing operations		**6.34**	5.52
Diluted			
– For profit for the year		**34.15**	6.13
– For profit from continuing operations		**6.26**	5.17

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,304,053**	715,372
Prepaid land lease payments		**192,152**	105,314
Investment properties		**276,978**	139,000
Interests in associates		**99,088**	975
Investment in debt securities		**132,414**	–
Other financial assets		**359,888**	41,506
Goodwill		**103,634**	80,350
Other intangible assets		**145,502**	130,000
Deposits		**364,168**	131,811
		2,977,877	1,344,328
Current assets			
Properties under development		**21,747**	7,650
Biological assets		**–**	–
Inventories		**39,596**	18,117
Trade receivables	9	**355,882**	23,476
Other financial assets		**296,314**	228,975
Due from minority equity holders of subsidiaries		**18,427**	6,573
Due from former subsidiaries		**–**	8,054
Due from associates		**–**	10,128
Prepayments, deposits and other receivables		**188,659**	91,614
Conversion options embedded in convertible bonds		**69,824**	–
Bank balance held in escrow		**–**	94
Pledged deposit		**35,333**	–
Cash and cash equivalents		**422,773**	520,281
		1,448,555	914,962

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Current liabilities			
Trade payables	10	**164,792**	30,903
Construction contracts		**20,668**	–
Accrued liabilities, deposits received and other payables		**340,965**	197,841
Borrowings		**181,892**	129,235
Due to a director		**–**	5,652
Due to minority equity holders of subsidiaries		**229,657**	185,761
Provision for tax		**67,951**	6,480
Derivative financial instruments		**94,635**	–
		1,100,560	555,872
Net current assets		**347,995**	359,090
Total assets less current liabilities		**3,325,872**	1,703,418
Non-current liabilities			
Borrowings		**381,417**	299,420
Deferred government grants		**14,518**	11,856
Convertible bonds		**590,250**	64,900
Deferred tax liabilities		**113,343**	42,945
		1,099,528	419,121
Net assets		**2,226,344**	1,284,297
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**12,398**	11,898
Reserves		**1,745,186**	1,032,301
		1,757,584	1,044,199
Minority interests		**468,760**	240,098
Total equity		**2,226,344**	1,284,297

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants, and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, biological assets, certain financial assets and derivative financial instruments (including conversion options embedded in convertible bonds) which are stated at fair values.

2. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 April 2007, the Group has adopted all the new and amended HKFRSs which are first effective on 1 April 2007 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes in the Company's and the Group's accounting policies, but resulted in additional disclosures. In particular, the impact of the adoption of HKFRS 7 Financial Instruments: Disclosure and HKAS 1 (Amendment): Capital Disclosures has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

New or amended HKFRSs that have been issued but are not yet effective:

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective for the year ended 31 March 2008.

HKAS 1 (Revised)	Presentation of Financial Statements[3]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKFRS 2 (Amendment)	Share–based Payment – Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations – Comprehensive Revision on Applying the Acquisition Method[4]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)–Int 2 (Amendment)	Members' Shares in Co–operative Entities and Similar Instruments[3]
HK(IFRIC)–Int 12	Service Concession Arrangements[1]
HK(IFRIC)–Int 13	Customer Loyalty Programmes[2]
HK(IFRIC)–Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[1]

Notes:

[1] Effective for annual periods beginning on or after 1 January 2008
[2] Effective for annual periods beginning on or after 1 July 2008
[3] Effective for annual periods beginning on or after 1 January 2009
[4] Effective for annual periods beginning on or after 1 July 2009

Among these new standards and intepretations, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements.

Amendment to HKAS 1 Presentation of Financial Statements

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

The directors of the Company are currently assessing the impact of the other new standards and interpretations but are not yet in a position to state whether they would have material impact on the Group's financial statements.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's businesses segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the business segments are as follows:

(i) "Water" segment, which is presented as "City water supply" and "Sewage treatment" segments, involves the provision of water supply and sewage treatment;

(ii) "Property development and investment" segment involves development of properties for sale and investment in properties for capital appreciation;

(iii) "Infrastructure construction" segment involves construction of road and other municipal works;

(iv) "Concrete products and others" segment involves manufacture and sale of concrete products and others; and

(v) "Sea buckthorn related business" segment, which was disposed of during the year ended 31 March 2008, involves cultivation, manufacture and sale of sea buckthorn seedling and sea buckthorn based products.

Business segments

For the financial year ended 31 March 2008

	Continuing operations						Discontinued operation	
	City water supply	Sewage treatment	Property development and investment	Infrastructure construction	Concrete products and others	Total	Sea buckthorn related business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
External customers	255,204	26,760	–	281,918	73,000	636,882	6,960	643,842
Installation income	128,650	–	–	–	6	128,656	–	128,656
Revenue	383,854	26,760	–	281,918	73,006	765,538	6,960	772,498
Other income	11,819	22	–	–	1,290	13,131	922	14,053
Total	395,673	26,782	–	281,918	74,296	778,669	7,882	786,551
Segment results	79,791	13,772	(998)	85,115	1,410	179,090	(8,639)	170,451
Interest income								16,487
Unallocated corporate income								38,011
Unallocated corporate expense								(64,452)
Valuation surplus on investment properties			104,987					104,987
Fair value gain on financial assets at fair value through profit or loss								279,264
Equity-settled share options expenses								(49,526)
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds)								(66,092)
Impairment loss on available-for-sale financial assets								(73,457)
Gain on disposal of subsidiaries							353,219	353,219
Profit from operation								708,892
Finance costs								(67,421)
Share of results of associates	13,644							13,644
Profit before income tax								655,115
Income tax expense								(135,111)
Profit for the year								520,004

As at 31 March 2008

	Continuing operations						Discontinued operation	
	City water supply	Sewage treatment	Property development and investment	Infrastructure construction	Concrete products and others	Total	Sea buckthorn related business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	1,887,011	144,602	304,461	385,525	98,265	2,819,864	–	2,819,864
Interests in associates	99,088	–	–	–	–	99,088	–	99,088
	1,986,099	144,602	304,461	385,525	98,265	2,918,952	–	2,918,952
Unallocated corporate assets								1,507,480
Consolidated total assets								4,426,432
LIABILITIES								
Segment liabilities	341,818	7,117	11,197	134,529	27,018	521,679	–	521,679
Unallocated corporate liabilities								1,678,409
Consolidated total liabilities								2,200,088
Other segment information								
Depreciation and amortisation	59,525	–	–	40	6,727	66,292	1,026	67,318
Amortisation of deferred government grants	(950)	–	–	–	–	(950)	–	(950)
Amortisation of other intangible assets	200	5,562	–	–	–	5,762	–	5,762
Capital expenditure	504,240	1,080	3	–	52,858	558,181	13,244	571,425
Loss on disposal of property, plant and equipment	395	–	–	–	–	395	–	395
Gain on disposal of prepaid land lease payments	(181)	–	–	–	–	(181)	–	(181)
Write off on property, plant and equipment	7	–	–	–	319	326	–	326
Valuation surplus on investment properties	–	–	104,987	–	–	104,987	–	104,987
Inventories written off	348	–	–	–	–	348	–	348
Impairment loss on other receivables	197	–	–	–	–	197	–	197
Impairment loss on due from former subsidiaries	–	6,457	–	–	–	6,457	–	6,457
Trade receivables written off	2,306	–	–	–	625	2,931	–	2,931

Business segments

For the financial year ended 31 March 2007

	Continuing operations						Discontinued operation	
	City water supply	Sewage treatment	Property development and investment	Infrastructure construction	Concrete products and others	Total	Sea buckthorn related business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
External customers	55,865	–	–	–	37,158	93,023	5,609	98,632
Installation income	41,712	–	–	–	–	41,712	–	41,712
Revenue	97,577	–	–	–	37,158	134,735	5,609	140,344
Other income	10,810	–	135	–	675	11,620	36,962	48,582
Total	108,387	–	135	–	37,833	146,355	42,571	188,926
Segment results	26,074	(701)	(1,562)	–	78	23,889	20,751	44,640
Interest income								10,319
Unallocated corporate income								13,348
Unallocated corporate expense								(39,962)
Valuation surplus on investment properties			40,890					40,890
Fair value gain on financial assets at fair value through profit or loss								102,266
Loss on disposal of subsidiaries								(357)
Profit from operation								171,144
Finance costs								(19,475)
Share of results of associates	9							9
Profit before income tax								151,678
Income tax expense								(48,734)
Profit for the year								102,944

As at 31 March 2007

	Continuing operations						Discontinued operation	
	City water supply	Sewage treatment	Property development and investment	Infrastructure construction	Concrete products and others	Total	Sea buckthorn related business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	1,033,717	164,626	147,830	64,450	35,799	1,446,422	84,010	1,530,432
Interests in associates	975	–	–	–	–	975	–	975
	1,034,692	164,626	147,830	64,450	35,799	1,447,397	84,010	1,531,407
Unallocated corporate assets								727,883
Consolidated total assets								2,259,290
LIABILITIES								
Segment liabilities	694,743	100,022	4,354	–	10,900	810,019	19,504	829,523
Unallocated corporate liabilities								145,470
Consolidated total liabilities								974,993
Other segment information								
Depreciation and amortisation	18,158	–	–	–	3,873	22,031	1,247	23,278
Amortisation of deferred government grants	(344)	–	–	–	–	(344)	–	(344)
Capital expenditure	519,377	130,034	–	233	8,083	657,727	32,638	690,365
Loss/(Gain) on disposal of property, plant and equipment	15	–	18	–	2	35	(120)	(85)
Write off on property, plant and equipment	762	–	–	–	–	762	–	762
Valuation surplus on investment properties	–	–	40,890	–	–	40,890	–	40,890
Inventories written off	89	–	–	–	–	89	900	989
Impairment loss on other receivables	89	–	–	–	–	89	–	89
Impairment loss on due from former subsidiaries	–	5,015	–	–	–	5,015	–	5,015

Certain comparative amounts have been reclassified to conform with presentation in the current year.

Geographical segments

A geographical analysis of the Group's revenue, assets and capital expenditure information is not presented as the Group's revenue, results and assets in geographical segments other than the People's Republic of China (the "PRC") are less than 10% of the aggregate amount of all segments.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, derived from the Group's principal activities recognised during the year is as follows:

	Group					
	Continuing operations		**Discontinued operation**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue:						
Sales of goods	**73,195**	30,760	**6,960**	5,609	**80,155**	36,369
Water supply	**240,332**	55,790	**–**	–	**240,332**	55,790
Water supply related installation	**128,656**	41,712	**–**	–	**128,656**	41,712
Infrastructure construction revenue	**281,918**	–	**–**	–	**281,918**	–
Sewage treatment	**26,760**	–	**–**	–	**26,760**	–
Hotel and rental income	**6,777**	6,398	**–**	–	**6,777**	6,398
Others	**7,900**	75	**–**	–	**7,900**	75
Total	**765,538**	134,735	**6,960**	5,609	**772,498**	140,344
Other income:						
Excess over the cost of a business combination recognised in the income statement	**18,215**	4,716	**–**	–	**18,215**	4,716
Interest income	**16,436**	10,131	**51**	188	**16,487**	10,319
Government grants and subsidies	**2,808**	12,267	**–**	13,480	**2,808**	25,747
Amortisation of deferred government grants	**950**	344	**–**	–	**950**	344
Gain on disposal of property, plant and equipment	**–**	85	**–**	–	**–**	85
Gain on disposal of prepaid land lease payments	**181**	–	**–**	–	**181**	–
Dividend income from financial assets	**8,317**	–	**–**	–	**8,317**	–
Miscellaneous income	**17,356**	7,555	**922**	242	**18,278**	7,797
Total	**64,263**	35,098	**973**	13,910	**65,236**	49,008

5. PROFIT FROM OPERATION

Profit from operation is arrived at after charging/(crediting):

	Group					
	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories sold	**498,531**	78,521	**3,330**	3,665	**501,861**	82,186
Depreciation	**62,939**	21,306	**1,062**	1,198	**64,001**	22,504
Amortisation of prepaid land lease payments	**3,307**	725	**10**	49	**3,317**	774
Amortisation of other intangible assets	**5,762**	–	**–**	–	**5,762**	–
Operating leases in respect of leasehold land and buildings	**4,774**	2,496	**759**	251	**5,533**	2,747
Staff costs (excluding directors' remuneration):						
Salaries and wages	**82,738**	31,660	**2,418**	3,709	**85,156**	35,369
Equity-settled share option expenses	**49,526**	–	**–**	–	**49,526**	–
Retirement scheme contribution	**1,172**	696	**264**	106	**1,436**	802
	133,436	32,356	**2,682**	3,815	**136,118**	36,171
Loss/(gain) on disposal of property, plant and equipment	**395**	35	**–**	(120)	**395**	(85)
Gain on disposal of prepaid land lease payments	**(181)**	–	**–**	–	**(181)**	–
Write off on property, plant and equipment	**326**	762	**–**	–	**326**	762
Inventories written off	**348**	89	**–**	900	**348**	989
Impairment loss on other receivables	**197**	89	**–**	–	**197**	89
Trade receivables written off	**2,931**	–	**–**	–	**2,931**	–
Impairment loss on due from former subsidiaries	**6,457**	5,015	**–**	–	**6,457**	5,015

6. FINANCE COSTS

	Group Continuing operations 2008 *HK$'000*	Group Continuing operations 2007 *HK$'000*
Interest on bank loans		
– wholly repayable within five years	**25,617**	2,365
– not wholly repayable within five years	**5,555**	5,738
Interest on other borrowings		
– wholly repayable within five years	**3,432**	129
– not wholly repayable within five years	**1,013**	1,595
Interest on convertible bonds	**34,834**	13,422
Convertible bonds issuance expenses charged to income statement	**2,159**	–
Interest on finance leases	**–**	59
Total borrowing costs	**72,610**	23,308
Less: interest capitalised included in property, plant and equipment	**(5,189)**	(3,833)
	67,421	19,475

7. INCOME TAX EXPENSE

Income tax expense in the income statement represents:

	Group Continuing operations 2008 *HK$'000*	Continuing operations 2007 *HK$'000*	Discontinued operation 2008 *HK$'000*	Discontinued operation 2007 *HK$'000*	Consolidated 2008 *HK$'000*	Consolidated 2007 *HK$'000*
Current						
– Hong Kong profits tax	**4,709**	–	**–**	–	**4,709**	–
– Overseas taxation	**66,862**	1,567	**–**	4,222	**66,862**	5,789
	71,571	1,567	**–**	4,222	**71,571**	5,789
Deferred	**63,540**	42,945	**–**	–	**63,540**	42,945
Total tax charge for the year	**135,111**	44,512	**–**	4,222	**135,111**	48,734

Hong Kong profits tax has been provided at the rate of 17.5% on the estimate assessable profits arising in Hong Kong during the year (2007: Nil). Income tax expense for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted earnings per share are based on :

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company	**427,242**	63,379
Less : Profit from discontinued operation	**(344,631)**	(17,666)
Result from discontinued operation attributable to minority interests	**(4,334)**	7,719
Profit attributable to equity holders of the Company from the discontinued operation	**(348,965)**	(9,947)
Profit attributable to equity holders of the Company from the continuing operations	**78,277**	53,432

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$427,242,000 (2007 : HK$63,379,000) and the profit for the year attributable to equity holders of the Company from the continuing operations of HK$78,277,000 (2007 : HK$53,432,000) and on the weighted average of 1,234,083,610 (2007 : 967,388,163) ordinary shares in issue during the year.

In the calculation of the diluted earnings per share attributable to the equity holders of the Company, the potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to the equity holders of the Company from continuing operations and was not taken into account as they had an anti-dilutive effect. Therefore, the calculation of diluted earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$427,242,000 (2007 : HK$63,379,000) and the profit for the year attributable to equity holders of the Company from the continuing operations of HK$78,277,000 (2007 : HK$53,432,000) and on the weighted average of 1,251,084,290 (2007 : 1,033,795,925) ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,234,083,610 (2007 : 967,388,163) used in basic earnings per share calculation and adjusted for the effect of share options issued of 17,000,680 (2007 : 66,407,762).

9. TRADE RECEIVABLES – GROUP

	2008	2007
	HK$'000	*HK$'000*
0 to 90 days	**319,981**	12,379
91 to 180 days	**20,132**	5,306
Over 180 days	**15,769**	5,791
	355,882	23,476

The Group has a policy of allowing trade customers with credit normally within 90 days except for construction project for which settlement is made in accordance with the terms specified in the contracts governing the relevant transaction. Overdue balances are reviewed regularly by the Group's management.

As at the balance sheet date, the Group's trade receivables included HK$237,269,000 (2007: Nil) relating to the trade receivables of construction contracts which would be recovered after more than one year from the balance sheet date.

As at the balance sheet dates, the Group had no significant balances of trade receivables that were past due but not impaired. The directors of the Company are of the opinion that no further allowance for impairment of trade receivables is necessary as there was no recent history of default in respect of these trade debtors.

10. TRADE PAYABLES - GROUP

The credit terms of trade payables vary according to the terms agreed with different suppliers. The ageing analysis of the Group's trade payables as at the balance sheet is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 to 90 days	**39,230**	19,196
91 to 180 days	**121,006**	1,746
Over 180 days	**4,556**	9,961
	164,792	30,903

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For continuing operations, the Group recorded a turnover of HK$765.5 million, representing an increase of 468% from HK$134.7 million recorded last year. The Group recorded a gross profit of HK$267.0 million representing an increase of 375% from HK$56.2 million last year. For the year under review, the Group recorded a profit after income tax of HK$175.4 million (2007: HK$85.3 million). For discontinued operation, the Group recorded a profit of HK$344.6 million. The total basic earning per share increased by 429% to 34.62 cents.

During the year, the Group upholds its business vision of "Water-oriented, Kindness to Society" while striving for its goal of becoming the best operator of raw water, tap water, sewage treatment and related services in the PRC and achieving satisfactory results.

FINAL DIVIDEND

No interim dividend was declared for the year ended 31 March 2008 (2007: Nil) and the Directors did not recommend any payment of final dividend for the year ended 31 March 2008 (2007: Nil).

INDUSTRY OVERVIEW

The Critical Period of Rapid Development

The rapid and continuous economic development in China and the acceleration of its urbanization have made water shortage, both in terms of water resources and water quality, as well as water pollution pressing issues. In light of the situation, the PRC Government has introduced a series of on-going and orderly reform measures and policies to marketize the water industry, including reform of state ownership of water supply enterprises, integration of urban and rural water supply, tax incentives to encourage investments in water and environmental protection industries. The "Eleventh Five-Year-Plan" puts forward the goal of building an "environmental friendly society" and a "resources saving society" by way of enhancing urban sewage treatment rate and strengthening industrial sewage treatment. As a result of which, the water market is in its critical period of rapid development.

Trend in Water Price and its Expectation

Given the grim inflation in mainland China and the reform in water price mechanism lagging behind resulted from the government's effort to curb inflation, the increase in water price brought about by marketization of water price will be an irresistible general trend in the long term. The reasonable rise in tap water price and sewage treatment charge, together with the implementation of stairway-style water pricing and the price increment mechanism for over consumption of water above quota is conducive to water conservation.

The urban water charges as a proportion to the per capita disposable income in China is still rather low. With the sustained economic development of China, the per capita disposable income of the urban population is improving continuously. From the perspective of affordability of the urban population, it is acceptable to have the domestic water consumption expenses accounted for 2 to 3 % of the average household income of the urban population in China. If the calculation is based on the assumption that future water consumption expenses may be raised to account for 2 to 3 % of the average household income, there is still much room for further water price increase in most cities.

Increasingly Competitive Environment

The urban water industry in China, given its rapid development, has entered a phase of vigorous transformation such that the competition becomes more and fiercer with each passing day. However, the room for growth in the scale and the profit of this industry remains vast. The operating costs of water projects can be lowered by application of new technology and techniques, optimization of equipment operation, enhancement of management standards and proper allocation of human resources, which in turn will bring about greater return on investment to professional investment operators.

BUSINESS REVIEW

(I) Corporate Missions

"Water-oriented, Kindness to Society"

(II) Enhancement Achieved During Development

The Group continued to implement its strategy for development through several acquisitions and mergers. As a result of which, the Group holds water-related projects in various provinces and cities of China, and lay a solid foundation for the Group's position in China's water industry. The overall corporate results subsequent to the above acquisitions and mergers are proved satisfactory in the way that the operational efficiency of all the water-related projects are enhanced in full, which in turn greatly reinforces the Group's competitive advantages.

Staff Development

The Group actively organizes for its staff pre-job trainings, regular on-the-job trainings and specific technical trainings, including trainings for the frontline staff working as bump operators, water supply attendants, water supply sale persons, and pipe workers, as well as comprehensive training for the financial and senior management personnel to enhance their professionalism. The trainings cover various areas such as professional ethics, corporate culture, civil engineering, computer technology, finance, insurance, and quality management system internal examiner qualification. Along with the in-service training, the Group also makes efforts to attract various kinds of professionals, including fresh graduates and master degree holders, so as to actively raise outstanding business talents from a diversified talent pool and build up leadership echelons.

Skill Enhancement and Cost Control

The Group persists on optimizing the procedures of meter recording and payment management by way of phased introduction of water rate prepayment and deduction system, meter reading recorder and advanced card payment software system, with an aim to fully upgrade the payment, reporting and installation systems. The introduction of new technology and equipment, together with the optimized operational management of water pumps, frequency converters and pressure regulators, has put the costs of producing tap water under control through effective reduction of electricity consumption.

The Group has standardized its purchase of pipes and related large construction materials through public tender to enhance its bargaining power, which leads to quality assurance and purchasing cost control. The reinforced patrol and leakage detection work done by the professional leakage detection team on water supply pipe network and its related facilities, together with an informant and reward system set up in this regard, has helped reduce the rate of leakage and damage. As for its various projects, including water supply plants, sewage treatment plant, pipe laying and meter installation, the Group enforces close supervision in various stages, starting from the assessment of construction drawings to completion of work, in order to optimize the structure of pipe network and enhance its distribution capacity, to subdivide the pipe network engineering techniques and quality management.

Service Standards

The Group is committed to perfecting its water supply services through streamlined procedures by way of realizing and refining "**one-stop services**", including business consultancy, bill payment, leakage reporting and repairing as well as water consumption reporting and installation. The Group establishes a comprehensive water supply service hotline and also releases information through various channels such as government websites and the press to make the procedures and the Group's social commitment more readily available to users. To strengthen its social commitment, the Group has implemented time limits for meter recording, reporting, repairing and complaint handling, together with ensuring the smooth operation of its 24-hr service hotline, to showcase its "**customer-oriented**" characteristics. "The Prettiest Lady" of Xinyu Water Affairs Group had won the Best Service Award.

In addition, the Group has also commenced operations on water meter design, production and sales. Through the related linkage to the water industry, the Group will not only control water meter quality and cost but also bring its unique industry advantages of water supply business into full play.

Water Quality Supervision and Production Safety

The Group also acknowledges that the creation of a clean and safe water environment by enterprises engaged in producing and supplying much needed drinking water has a direct impact on the quality of lives of the mass in the sense that it is an important part of building an all-out comparatively well-off society. The Group adheres to supplying water with quality and safety by means of better monitoring and testing of water quality and protection of water sources. As for the emergency crisis risk, such as the outbreak of blue algae in Tai Lake this year, the Group has drawn up the "Emergency Water Pollution Treatment Draft Plan" to strengthen the monitoring technology of the inspection center and its capability of emergency prevention and handling by way of introducing advanced and appropriate instruments and enlarging its professional inspection team. In addition, emergency drills are held to reinforce safety awareness and verify how well the accident and emergency rescue efforts are coordinated. Through the drills, the ability of self and mutual rescue of the frontline staff in case of accidents is substantially enhanced.

The Group has put safety production accountability into operation, adhering to the principle of "**Safety First, Prevention Foremost**", whereby the employees are required to study the "Safe Production Approaches" formulated by the Group so as to enhance their safety awareness and deepen their full knowledge and understanding of the operational rules. Safe production is also included in performance appraisals so that each post is made accountable for safety. The above efforts are implemented by posting of signs of safety warnings and carrying out regular and specific checking, repairing and maintenance of equipments. The Group also implements accountability, with the aim to be fair and strict in meeting out rewards and punishments, and to carry through the corporate mission of the Group of "**Supplying Water with Safety and Quality, Serving the Society Sincerely**".

Corporate Culture and Brand Name Building

With its corporate vision of "**Water-oriented, Kindness to Society**", the Group has established the China Water Care Fund, formulated the "China Water Care Fund Management Approaches", and will organize donation drives for the Care Fund at appropriate times. Besides, the subsidiaries of the Group are still in support of the fundraising to rebuild the disaster areas hit by "**Sichuan Wenchuan Earthquake**". On the other hand, the Group mobilized its employees to participate in the establishment and cultivation of its corporate culture through various means. At the same time of enforcing standardization of work, the Group also organizes job-related seminars for its middle and top management staff, and various cultural and recreational activities. In recognition of its efforts, the Group has been successively awarded such honorable titles as "**Model Enterprise With Harmonious Labor Relations**" at the state and municipal levels, "**Model Enterprise of Female Civilization**" at the provincial level and "**Model Enterprise**

of Youth Civilization" at the municipal level, all served to strengthen the sense of belongingness and identification of its employees as excellent corporate culture promotes individual and team initiatives, higher efficiency as well as better and healthier corporate image.

(III) Water Supply Business Analysis

In the year, the Group sustained rapid growth in its revenue and profit from water supply business.

The revenue from city water supply amounted to approximately HK$240.3 million (2007: HK$55.8 million), representing 331% as compared with last year. The revenue from water supply related installation works amounted to approximately HK$128.7 million (2007: HK$41.7 million), representing 209% as compared with last year.

City water supply projects owned by the subsidiaries of the Group spread various provinces and municipalities across China, including provinces such as Henan, Jiangsu, Hubei, Jiangxi, Guangdong and Hainan, and Chongqi Municipality. The total water segments profits (included city water supply, water related installation works and meter installation) amounted to approximately HK$79.8 million (2007: HK$26.1 million).

(IV) Sewage Business Analysis

The State Council issued the "Comprehensive Work Plan on Energy-saving and Emission Reduction" in 2007, following which the work of energy saving, emission reduction and pollution treatment is vigorously promoted countrywide. The centralized sewage treatment rate in every city will not be lower than 60% by 2010, of which sewage treatment rate in some major cities reaches 70%. From the central government to local governments, much importance has been attached to urban sewage treatment and the progress of its industrialization. With that in the backdrop, there is much room for investment in sewage treatment.

During the year, the Group has recorded turnover from sewage treatment business of HK$26.8 million (2007: HK$ Nil). The revenue contribution mainly from a sewage treatment plant located at Hongguang Road, Development Zone, Jingzhou City, Hubei Province. The sewage treatment plant is managed by a directly and wholly-owned subsidiary of the Company and operation is running under a franchise granted by The Construction Committee of Jingzhou City, Hubei Province for a term of 25 years on a transfer-operate-transfer ("TOT") basis. The total consideration for the acquisition of the franchise is RMB130 million in cash. For the year ended 31 March 2008, the profit after tax and the profit after tax but before amortization of cost of franchise of that sewage treatment business is amounted to approximately HK$11.2 million and HK$16.8 million, respectively.

On 28 March 2008, 惠州中水水務發展有限公司 (Huizhou China Water Affairs Development Company Limited), a 70%-owned subsidiary of the Company, and 惠州市投資管理有限公司 (Huizhou Investment Management Company) ("Huizhou Investment") entered into an agreement, pursuant to which the Company conditionally agreed to acquire 70% of the registered capital of each of Huizhou Daya Bay Running Water General Company ("Huizhou Daya Bay Running Water"), Huizhou Daya Bay Qingyuan Environmental Protection Co., Limited ("Huizhou Daya Bay Qingyuan") and Huizhou Daya Bay Yiyuan Purified Water Co., Limited ("Huizhou Daya Bay Yiyuan") from Huizhou Investment.

Huizhou Daya Bay Qingyuan is principally engaged in the provision of sewage treatment service for both domestic and industrial uses in Huizhou City, Guangdong Province, the PRC. Huizhou Daya Bay Qingyuan is equipped with newly built and technologically advanced sewage treatment facilities. Huizhou Daya Bay Qingyuan started test-running in September 2006 and commenced operation in July 2007, with sewage treatment capacity reaches 80,000 m^3 per day. The Board expects that after completion of the acquisition, results of Huizhou Daya Bay Qingyuan in its first full year of operation in 2008 shall be improved through expansion in customer base and improvement in operation efficiency.

On 9 May 2008, the Company entered into a preliminary agreement with 江西省資產集團公司 (Jiangxi Province Administrative Assets Group Company) pursuant to which Jiangxi Province Administrative Assets Group Company granted to the Company the first refusal right regarding the proposed acquisition of the right to operate the sewage treatment plants upon completion of their construction by Jiangxi Province Administrative Assets Group Company. Jiangxi Province Administrative Assets Group Company is an entity wholly owned by the Provincial Finance Bureau of Jiangxi Province, the PRC. The Jiangxi Provincial Government has proposed to construct 80 sewage treatment Plants as part of its projects to protect and enhance the environment and main water resources of Jiangxi Province. It is expected that the construction of the sewage treatment plants will be completed by the end of September 2010. The first phase will consist of 45 sewage treatment plants and will be completed and operated by the end of September 2009. It is estimated that the sewage treatment plants shall have an aggregate daily processing capacity of approximately 1.9 million tones. The estimated total investments for the construction of the sewage treatment plants, piping networks and related facilities is approximately RMB6,000 million, of which the investments relating to the construction of the sewage treatment plants is approximately RMB3,000 million. Subject to further negotiations with Jiangxi Province Administrative Assets Group Company, the Company has agreed to provide human resources and technology support to Jiangxi Province Administrative Assets Group Company on the construction of the sewage treatment plants. It is also the intention of the Company to further negotiate with the Jiangxi Provincial Government regarding the Company's participation in the design and construction of the sewage treatment plants. In consideration of the granting of the first refusal right, the Company shall pay to Jiangxi Province Administrative Assets Group Company a refundable security deposit of RMB50 million (equivalent to approximately HK$56 million) by the end of 2008. The security deposit is refundable to the Company in the event that the Company decides not to proceed with the proposed acquisition.

Moreover, the Group has also has new sewage treatment projects which located within Jiangxi Province, the PRC which expect contribute to the results of sewage treatment business of the Group for next year.

(V) Investment Business Analysis

As at the balance sheet date, the Group's investment portfolio held for trading mainly consists of Qian Jiang Water Resources Development Co., Ltd ("Qian Jiang") (Shanghai Stock Exchange Code: 600283) and Ming Hing Waterworks Holdings Limited (stock code: 402). The Group has disposed 14,266,500 A shares of Qian Jiang and 427,890,908 shares of Prime Investments Holdings Limited (stock code: 721), with gross sale proceeds of approximately HK$257.9 million and HK$72.7 million, respectively. The aggregate sale proceeds of approximately HK$330.6 million has recovered more than the aggregate initial costs of investing in Qian Jiang, Ming Hing Waterworks Holdings Limited and Prime Investments Holdings Limited.

The Group is satisfied with the return on investment for the year, whereas the proceeds from disposal of shares have been retained for development of current water projects.

The Company noted that the global stock market has experienced a high volatility in past twelve months. The Group understands that the investment market will remain uncertain in the coming year, but it holds on to its cautioned optimism and will carry out review of its current investment portfolio at appropriate times on a regular basis or in response to changes in the investment environment. The Group has no intention to enlarge the scale of its current investment portfolio.

(VI) Disposal of Sea Buckthorn Business

On 29 June 2007, the Group entered into an agreement to sell the entire issued share capital of China Environmental Water Holdings Limited ("China Environmental") at a consideration of HK$200,000,000. The consideration is satisfied by (i) HK$19,950,000 by issuance of 133,000,000 new shares of China Botanic Development Holdings Ltd. ("CBDH") (formerly known as "Wah Yuen Holdings Limited") to the Group credited as fully paid, at the issue price of HK$0.15 per share; (ii) HK$180,050,000 by issuance of convertible bonds from CBDH to the Group, and (iii) wavier of amounts due from China Environmental and its subsidiaries by the Group of HK$19,258,000. The convertible bonds can convert into new shares of CBDH at conversion price of HK$0.15 each with maturity date at the tenth anniversary of the date of issue of the convertible bonds. China Environmental holds 50% equity interest in Conseco Seabuckthorn Co., Ltd., which is principally engaged in the cultivation and sale of sea buckthorn seedling as well as manufacturing and selling of its related products.

The Group has recorded a gain of HK$353.2 million, upon disposal of China Environmental and its sea buckthorn related business to CBDH. The disposal enables the Group to focus financial and human resources on developing city water supply and its related businesses of the Group. Although the Group ceased its operation in sea buckthorn related business but the Group still able to capture the potential growth of sea buckthorn related business as the Group currently held the convertible bonds issued by CBDH.

(VII) Development of Investment in Water and Electricity

At the balance sheet date, the Group has equity interest of 45% in Jianghe Long Chuan Electricity Development Company ("Jianghe Long Chuan"). The principal projects held by Jianghe Long Chuan include a 51% interest in the hydro-electric power plant at 福建寧德大港水電站 (Fujian Ningde Dagong Electric Station), a 40% interest in the hydro-electric power plant at 雲南馬關大樑子水電站 (Yunnan Maguan Daliangzi Hydro-electric Power Station), a 65% interest in 雲南龍陵臘寨水電站 (Yunnan BoaShan Lazhai Hydro-electric Power Station), and a 36% interest in 雲南文山電網 (Wenshan Laqi Hydro-electric Power Station). In addition to the above, Jianghe Long Chuan also has minority investments in four other power plant projects, with three in Yunnan, and another one in Inner Mongolia.

Jianghe Long Chuan is specialized in the development of and investment in hydro-electric power generation business, with installed capacity of approximately 350,000 kilowatt. The Group consider that the investment in Jianghe Long Chuan enable the Group to make a foray into the environmental friendly power generation industry and water resources exploitation and development business and in line the strategy of the Group to develop clean energy with reduced emission of carbon dioxide.

Given the high speed development of the economy of the PRC, and the increasing social awareness in the use of environmental friendly power, the Directors believe the business potential of Jianghe Long Chuan is immense. The audited consolidated profit after tax and minority interests of Jianghe Long Chuan prepared in accordance with the Generally Accepted Accounting Policies and Accounting Standards in the PRC for the years ended 31 December 2006 and 2007 are approximately RMB7.3 million, RMB26.7 million

Jianghe Long Chuan has profitable track record of for the financial years ended 31 December 2006 and 2007 and has declared dividend to the Group of approximately RMB3.8 million for the year ended 31 December 2007. The Group expect that there will be positive effect on the earnings of the Group in the coming future.

(VIII) Strategic Investment for Win-win Situation

During the year, the Company has strengthened the co-operation with leading players of water industry in the PRC.

中國水務投資有限公司 (China Water Industry Investment Corporation) ("CWIIC")

On 26 October 2007, the Company entered into an agreement to acquire 19.375% in the registered capital of 中國水務投資有限公司 (China Water Industry Investment Corporation) ("CWIIC"). The core shareholders of CWIIC include Bureau of Comprehensive Development, Ministry of Water Resources, the PRC, Sinohydro Corporation and Shanxi Wanjiazhai Yellow River Diversion Project General Company.

As at the balance sheet date, CWIIC owned 山東水務投資有限公司 (Shandong Water Investment Company Limited), 上海自來水建設公司 (Shanghai Water Supply Construction Company) and 錢江水利開發股份有限公司 (Qianjiang Water Resources Development Co., Ltd.) with equity interest of 51.00%, 42.86% and 25.55%, respectively.

On the other hand, the Group owned 山東水務投資有限公司 (Shandong Water Investment Company Limited), 上海自來水建設公司 (Shanghai Water Supply Construction Company) and 錢江水利開發股份有限公司 (Qianjiang Water Resources Development Co., Ltd.) with equity interest of 8.00%, 28.57% and 6.34%, respectively.

中國水利投資集團公司 (China Waterworks Investments Group Corporation) ("CWIC")

CWIC is an only water related large investment corporation under the State-owned Assets Supervision and Administration Commission of the State Council. Major areas for investment are as water conservancy and hydro power, municipal and township water supply, renewable energy, dredging and environment projects.

On 10 May 2007, the subsidiaries of the Company entered into an agreement with CWIC and the minority JV partners, pursuant to which the subsidiaries of the Company agreed to contribute new capital to Jianghe Long Chuan representing 45% in total of the enlarged registered capital of Jianghe Long Chuan. CWIC holds equity interest of 47% of Jianghe Long Chuan as of the balance sheet date.

The Group believe that strategic alliances with CWIIC and CWIC is one of the major achievements made during the year, as both CWIIC and CWIC are both leading players and are state-owned corporations under direct control of the central government. The alliances show that both CWIIC and CWIC recognized and appreciate the Group's water expertise, the Group's sincere and enthusiasm in development of water industry in the PRC, Group's corporate cultures and missions, and solid foundation of Group's in water industry in the PRC.

FUTURE PROSPECTS

With the continuous economic development in China that promotes urbanization and the government's policy that advocates integration of urban and rural water supply, water supply is extended to wider areas and management standards are enhanced. All these factors provide remarkable room for growth of income from water supply and installation work under the current city water supply projects of the Group. In addition, the Group is also identifying with effort some promising water projects to enlarge its water supply business and enhance its effectiveness.

On top of its prior solid foundation of water supply, the Group endeavors to realize integration of water supply and emission, to expand its sewage treatment business and to optimize the structural linkage between water supply industry and related water industry so as to fully enhance its overall effectiveness, service quality and competitiveness.

CAPITAL RAISING

On 16 July 2007, the Company entered into an subscription agreement with DBS Bank Limited pursuant to which DBS Bank Limited agreed to subscribe for the convertible bonds in an aggregate principal amount of HK$650 million. The net proceeds from the issue of the Convertible Bonds of approximately HK$636.3 million (the net issue price being HK$6.85 per conversion share, assuming full exercise of the convertible bonds at the conversion price of HK$7.00 per share after deduction of all related expenses) will be used wholly for investment, by way of capital expenditure and working capital, in water supply and/or water related projects in the PRC. The convertible bonds in the aggregate principal amount of HK$650 million were issued to DBS Bank Limited on 3 August 2007. Approximately HK$576.3 million was used for investing in water projects and the remaining balance of approximately HK$60 million being placed as bank deposit.

On 18 December 2007, the Company entered into an loan agreement with Deutsche Investitions–und Entwicklungsgesellschaft mbH ("DEG") and Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("FMO") ("the Lenders") for a term loan facility of up to US$36 million for the purpose of financing the Group's water projects in the PRC. The loan facility was expired on 15 June 2008 and the Group has not utilised the loan facility.

During the year ended 31 March 2008, the subscription rights attaching to 2,570,000, 400,000 and 300,000 share options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK$0.41, 1.16 and 1.45 per share respectively, resulting in the issue of aggregate of 3,270,000 shares of HK$0.01 each for a total cash consideration of approximately HK$1,952,700 (before expenses).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the Group has total cash and bank balances of approximately HK$458.1 million (2007: HK$520.3 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 49.7% (2007: 43.2%) as at 31 March 2008. The current ratio is 1.32 times (2007: 1.65 times) as at 31 March 2008. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2008, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/Year	**Number of Shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration (excluding expenses)**
		HK$	*HK$*	*HK$*
August 2007	1,254,000	4.22	4.03	5,285,260

The shares repurchased during the period were cancelled in August 2007 and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CODE ON CORPORATE GOVERNANCE

The Company has complied with the code provisions which set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the year ended 31 March 2008 except for the following deviations:

Code provision A.4.1 requires that non-executive directors should be appointed a specific term and subject to re-election. None of the existing non-executive directors of the Company except Mr. Wu Jiesi, Mr Chen Guo Ru, Mr Chau Kam Wing, Mr Ong King Keung, Ms. Liu Dong and Ms. Huang Shao Yun is appointed for a specific term. However, under the Company's bye-laws, all directors of the Company (whether executive or non-executive, except the chairman) are subject to the retirement by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice are no less exacting than those in the Code.

Under Code Provision A.4.2, every director should be subject to retirement by rotation at least once every three years. According to the Company's bye-laws, at each annual general meeting, one third of the directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the chairman of the Board should not be subject to retirement by rotation.

HUMAN RESOURCES

As at 31 March 2008, the Group has employed approximately 4,100 staff. Most of them stationed in the PRC and the remaining in Hong Kong. The remuneration package of the employees is determined by various factors including their experience and performance, the market condition, industry practice and applicable employment law.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). On specific enquiries made, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

AUDIT COMMITTEE

The audit committee of the Company currently comprises four independent non-executive directors, namely Mr. Chau Kam Wing (chairman of audit committee), Mr. Ong King Keung, Ms. Liu Dong and Ms. Huang Shao Yun. The annual results of the Group for the year ended 31 March 2008 have been reviewed by the audit committee.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://www.chinawatergroup.com). The annual report will be dispatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

On Behalf of the Board
Duan Chuan Liang
Chairman

Hong Kong, 29 July 2008

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. Chen Guo Ru, Mr. Wu Jiesi, 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.

* *For identification purposes only*