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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board of directors (the "Board") of China Water Affairs Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2012, together with the comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2012	2011
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**1,006,687**	867,425
Cost of sales		**(538,243)**	(477,266)
Gross profit		**468,444**	390,159
Other income	4	**30,317**	26,690
Selling and distribution costs		**(42,717)**	(32,569)
Administrative expenses		**(169,530)**	(136,770)
Fair value gain on investment properties		**72,517**	53,667
Gain on disposal of assets and liabilities classified as held for sale		**41,333**	31,373
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds and warrants)		**7,939**	22,515
Loss on redemption of convertible bonds		**(142)**	–

* *For identification purpose only*

	Notes	Six months ended 30 September **2012** **(unaudited)** ***HK$'000***	2011 (unaudited) *HK$'000*
Profit from operation	5	**408,161**	355,065
Finance costs	6	**(60,416)**	(60,034)
Share of results of associates		**(2,378)**	14,264
Profit before income tax		**345,367**	309,295
Income tax expense	7	**(87,817)**	(71,881)
Profit for the period		**257,550**	237,414
Profit for the period attributable to:			
Owners of the Company		**137,677**	150,906
Non-controlling interests		**119,873**	86,508
		257,550	237,414
Earnings per share for profit attributable to owners of the Company during the period	8	***HK cents***	*HK cents*
Basic		**9.48**	9.97
Diluted		**9.37**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit for the period	**257,550**	237,414
Other comprehensive income		
– Change in fair value of available-for-sale financial assets	**3,724**	(9,155)
– Currency translation	**–**	53,471
– Share of other comprehensive income of associates	**4,948**	731
Other comprehensive income for the period, net of tax	**8,672**	45,047
Total comprehensive income for the period	**266,222**	282,461
Total comprehensive income attributable to:		
Owners of the Company	**146,349**	182,619
Non-controlling interests	**119,873**	99,842
	266,222	282,461

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 September	31 March
		2012	2012
		(unaudited)	(audited)
	Notes	***HK$'000***	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,362,135**	4,121,103
Prepaid land lease payments		**521,529**	527,244
Investment properties		**615,196**	888,083
Interests in associates		**883,649**	876,998
Available-for-sale financial assets		**124,101**	120,377
Goodwill		**181,272**	181,272
Other intangible assets		**188,417**	192,942
Deposits and prepayments		**168,849**	141,608
		7,045,148	7,049,627
Current assets			
Properties under development		**791,498**	493,698
Properties held for sale		**132,120**	55,162
Inventories		**263,310**	180,821
Trade receivables	10	**423,884**	365,417
Amounts due from grantors for contract work		**106,247**	106,546
Financial assets at fair value through profit or loss		**1,331**	1,617
Due from non-controlling equity holders of subsidiaries		**178,242**	169,318
Due from associates		**126,628**	108,679
Prepayments, deposits and other receivables		**641,784**	545,512
Derivative financial assets		**111,960**	109,012
Pledged deposits		**18,143**	17,909
Deposits and cash		**812,503**	1,068,079
		3,607,650	3,221,770
Assets classified as held for sale		**–**	407,271
		3,607,650	3,629,041

	Notes	As at 30 September 2012 (unaudited) HK$'000	31 March 2012 (audited) HK$'000
Current liabilities			
Trade and bills payables	11	**588,891**	454,647
Accrued liabilities, deposits received and other payables		**1,428,015**	1,409,240
Due to non-controlling equity holders of subsidiaries		**62,370**	170,587
Due to an associate		**4,889**	5,581
Borrowings		**632,419**	634,279
Convertible bonds		**539,337**	–
Provision for tax		**217,137**	189,186
Derivative financial liabilities		**32,912**	37,960
		3,505,970	2,901,480
Liabilities classified as held for sale		**–**	117,310
		3,505,970	3,018,790
Net current assets		**101,680**	610,251
Total assets less current liabilities		**7,146,828**	7,659,878
Non-current liabilities			
Borrowings		**1,715,607**	1,755,632
Due to non-controlling equity holders of subsidiaries		**117,100**	33,444
Convertible bonds		**–**	536,015
Deferred government grants		**53,118**	54,522
Deferred tax liabilities		**258,205**	238,824
		2,144,030	2,618,437
Net assets		**5,002,798**	5,041,441
EQUITY			
Equity attributable to owners of the Company			
Share capital		**14,515**	14,521
Proposed dividend		**29,029**	43,562
Reserves		**3,229,236**	3,189,286
		3,272,780	3,247,369
Non-controlling interests		**1,730,018**	1,794,072
Total equity		**5,002,798**	5,041,441

Notes:

1. **BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. **PRINCIPAL ACCOUNTING POLICIES**

The basis of preparation and accounting policies adopted in preparing these interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2012 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that have become effective for accounting period beginning on 1 April 2012.

In the current interim period, the Group has applied for the first time the following new standards, amendments and interpretations ("New and Revised HKFRSs") issued by HKICPA:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standard – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of the new and revised standards, amendments or interpretations to the Group but is not yet in a position to state whether they would have material financial impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

The Group has identified the following reportable segments:

(i) "Water" segment, which is presented as "City water supply operation and construction" and "Sewage treatment operation and construction" segments, involves the provision of water supply and sewage treatment operation and construction services respectively (including the transfer-operate-transfer and build-operate-transfer arrangements);

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

(iii) "Other infrastructure construction" segment involves construction of road and other municipal works.

Information about other business activities and operating segments that are not reportable are combined and disclosed in "All other segments". "All other segments" includes manufacture and sale of concrete products and other business activities.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, and mainly exclude fair value (loss)/gain on financial assets at fair value through profit or loss, change in fair value of derivative financial instruments, gain on disposal of assets and liabilities classified as held for sale, finance costs, share of results of associates, corporate income, corporate expense, income tax expense and loss on redemption of convertible bonds.

Segment assets exclude corporate assets, available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial assets and interests in associates.

For the financial period ended 30 September 2012

	City water supply operation and construction (unaudited) *HK$'000*	Sewage treatment operation and construction (unaudited) *HK$'000*	Property development and investment (unaudited) *HK$'000*	Other infrastructure construction (unaudited) *HK$'000*	All other segments (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Revenue						
From external customers	**769,425**	**23,645**	**78,087**	**–**	**135,530**	**1,006,687**
From inter-segment	**–**	**–**	**–**	**–**	**–**	**–**
Segment revenue	**769,425**	**23,645**	**78,087**	**–**	**135,530**	**1,006,687**
Segment profit/(loss)	**261,678**	**10,647**	**97,237**	**(1,842)**	**19,891**	**387,611**
Unallocated corporate income						**14,820**
Unallocated corporate expense						**(43,400)**
Gain on disposal of assets and liabilities classified as held for sale						**41,333**
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds)						**7,939**
Loss on redemption of convertible bonds						**(142)**
Finance costs						**(60,416)**
Share of results of associates	**5,058**	**–**	**(7,436)**	**–**	**–**	**(2,378)**
Profit before income tax						**345,367**
Income tax expense						**(87,817)**
Profit for the period						**257,550**
Total segment assets	**5,534,548**	**245,731**	**1,848,220**	**146,640**	**573,928**	**8,349,067**

For the financial period ended 30 September 2011

	City water supply operation and construction (unaudited) *HK$'000*	Sewage treatment operation and construction (unaudited) *HK$'000*	Property development and investment (unaudited) *HK$'000*	Other infrastructure construction (unaudited) *HK$'000*	All other segments (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Revenue						
From external customers	702,090	21,878	4,562	–	138,895	867,425
From inter-segment	–	–	–	–	–	–
Segment revenue	702,090	21,878	4,562	–	138,895	867,425
Segment profit/(loss)	256,412	10,523	47,256	(214)	17,426	331,403
Unallocated corporate income						21,593
Unallocated corporate expense						(51,819)
Gain on disposal of assets and liabilities classified as held for sale						31,373
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds and warrants)						22,515
Finance costs						(60,034)
Share of results of associates	5,062	–	9,202	–	–	14,264
Profit before income tax						309,295
Income tax expense						(71,881)
Profit for the period						237,414
Total segment assets	4,533,556	243,685	1,386,908	176,260	358,099	6,698,508

The Group's revenues from external customers by geographical areas are not presented as the geographical segments other than the PRC are less than 10% of the aggregate amount of all segments.

4. OTHER INCOME

	Consolidated Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest income	**9,670**	13,479
Dividend income from financial assets	**224**	2,249
Government grants and subsidies	**13,177**	3,944
Miscellaneous income	**7,246**	7,018
Total	**30,317**	26,690

5. PROFIT FROM OPERATION

Profit from operation is arrived at after charging:

	Consolidated Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Depreciation	**108,970**	90,757
Amortisation of prepaid land lease payments	**8,651**	7,618
Amortisation of other intangible assets	**4,453**	4,127

6. FINANCE COSTS

	Consolidated Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**52,052**	44,011
Interest on other borrowings	**9,088**	8,270
Interest on convertible bonds	**19,672**	24,683
Total borrowing costs	**80,812**	76,964
Less: interest capitalised included in property, plant and equipment and properties under development	**(20,396)**	(16,930)
	60,416	60,034

7. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2011: Nil). Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

	Consolidated Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current		
– PRC	**68,438**	64,161
Deferred		
– tax charge for the period	**19,379**	7,720
Total tax charge for the period	**87,817**	71,881

8. EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK$137,677,000 (2011: HK$150,906,000) and on the weighted average of 1,451,765,382 (2011: 1,513,804,002) ordinary shares in issue during the period.

For the financial period ended 30 September 2012, the calculation of diluted earnings per share is based on the profit for the period attributable to owners of the Company of HK$137,677,000 and after adjustments to reflect the effect of deemed exercise or conversion of convertible bonds, which was HK$152,358,000 and on the adjusted weighted average of 1,626,654,400 ordinary shares outstanding during the period, being the weighted average number of ordinary shares of 1,451,765,382 used in basic earnings per share calculation and adjusted for the effect of deemed exercise or conversion of convertible bonds existing during the period of 174,889,018.

No diluted earnings per share are presented for the financial period ended 30 September 2011 as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic earnings per share presented for the period.

9. DIVIDENDS

(a) Dividends attributable to the interim period

	Consolidated Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interim dividend		
– HK$0.02 (2011: HK$0.02) per ordinary share	**29,029**	30,694

The interim dividend proposed after the reporting date for the financial periods ended 30 September 2012 and 2011 have not been recognised as a liability at the reporting date, but reflected as an appropriation of contributed surplus for the financial period ended 30 September 2012 and 2011 respectively.

(b) Dividends attributable to the previous financial year, approved and paid during the interim period

	2012	2011
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year		
of HK$0.03 (2011: HK$0.03) per ordinary share	**43,562**	41,576
Adjustment to the final dividend*	**(18)**	4,465
	43,544	46,041

* The adjustment was due to placing and subscription of new shares and share repurchase prior to the record date of the final dividend and, therefore, the related shares rank for this dividend payment.

10. TRADE RECEIVABLES

The ageing analysis of the Group's trade receivables based on invoice dates is as follows:

	As at	
	30 September	31 March
	2012	2012
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 to 90 days	**178,174**	138,759
91 to 180 days	**53,643**	49,682
Over 180 days	**192,067**	176,976
	423,884	365,417

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for construction projects for which settlement is made in accordance with the terms specified in the contracts governing the relevant transaction.

Trade receivables that were past due but not impaired relate to customers that have good track record with the Group. The directors of the Company are of the opinion that no allowance for impairment of trade receivables is necessary as there was no recent history of significant default in respect of these trade debtors. Trade receivables that were neither past due nor impaired related to a large number of independent customers that had a good track record of credit with the Group. In general, the Group does not hold any collateral or other credit enhancements over these balances.

11. TRADE AND BILLS PAYABLES

The ageing analysis of the Group's trade and bills payables based on invoice dates is as follows:

	As at	
	30 September 2012	31 March 2012
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 to 90 days	**278,907**	109,537
91 to 180 days	**61,500**	82,781
Over 180 days	**248,484**	262,329
	588,891	454,647

The credit terms of trade and bills payables vary according to the terms agreed with different suppliers.

12. POST REPORTING DATE EVENTS

The Group had the following material event after 30 September 2012:

On 8 October 2012, the Group and 蘆溪縣供水公司("Luxi Company") entered into the equity joint venture agreement pursuant to which the parties agreed to establish a joint venture company which will be principally engaged in tap water production and supply and installation services in Luxi county, Jiangxi province, PRC.

The registered capital of the new joint venture company will be RMB52,308,750, of which the Group will contribute 60% by way of cash and Luxi Company will contribute 40% by way of the injection of the existing water supply assets (including water pipes network and other assets and related liabilities but excluding land use right) of Luxi Company. It is expected that the total investment amount of the joint venture company will be RMB130 million.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.02 per ordinary share for the six months ended 30 September 2012 (2011: HK$0.02 per ordinary share). The interim dividend will be payable on or about Friday, 28 December 2012 to the shareholders whose names appear on the register of member on Wednesday, 19 December 2012.

BUSINESS REVIEW

The Group's total revenue continuously increased from HK$867.4 million for the six months ended 30 September 2011 to HK$1,006.7 million for the six months ended 30 September 2012, representing an increase of 16.1%. The Group maintained a stable growth in its "Water" segment. For the period under review, the total revenue attributable to the "Water" segment amounted to HK$793.1 million, represented an increase of 9.5% when compared with the total "water" segment revenue of HK$724.0 million in the corresponding period. This organic growth of "Water" segment revenue is mainly attributable to the successful growth of the Group through various mergers and acquisition, increase in operating efficiency and tariff of the water supply and sewage treatment plants.

(i) *Water Supply Business Analysis*

City water supply projects of the Group are well spread in various provincial cities and regions across China, including Hunan, Henan, Hainan, Jiangsu, Hubei, Jiangxi, Guangdong and Chongqing.

For the period under review, the revenue from city water supply operation and construction amounted to HK$769.4 million (2011: HK$702.1 million), representing an increase of 9.6% as compared with the last corresponding period. The total water segment profit (including city water supply, water related installation works and meter installation) amounted to HK$261.7 million (2011: HK$256.4 million), representing an increase of 2.1% as compared with the last corresponding period.

(ii) *Sewage Treatment Business Analysis*

Sewage treatment projects of the Group are mainly located in Hubei and Jiangxi provinces of China.

For the period under review, the revenue from sewage treatment operation and construction business amounted to HK$23.6 million (2011: HK$21.9 million), representing an increase of 7.8% as compared with the last corresponding period. The total sewage treatment segment profit (including sewage treatment operating and construction) amounted to HK$10.6 million (2011: HK$10.5 million), representing an increase of 1.0% as compared with the last corresponding period.

(iii) Property Business Analysis

The Group held various property development and investment projects which are mainly located in Jiangxi, Hunan and Hubei provinces of China.

For the period under review, the revenue from the property business segment amounted to HK$78.1 million (2011: HK$4.6 million). The total property business segment profit amounted to HK$97.2 million (2011: HK$47.3 million), representing an increase of 105.5% as compared with the last corresponding period, which was mainly due to the sales of a property project in Hunan province and the fair value gain on investment properties amounted to HK$72.5 million (2011: HK$53.7 million). The Group expected that its performance would be further strengthened by the realisation of value from the Group's property development and investment projects in the near future.

For the period under review, the Group recorded a gain on disposal of assets and liabilities classified as held for sale amounted to HK$41.3 million, which represented the gain on disposal of 50% equity interest in 廣東新會水務有限公司. For the corresponding period under review, the Group recorded a gain on disposal of assets classified as held for sale amounted to HK$31.4 million, which represented the gain on disposal of remaining 15% equity interest in 江河農村電氣化發展有限公司. The Group considered that realisation of the above investments at a gain can provide resources to the Group in developing water supply related businesses in China.

FUTURE PROSPECTS

The lingering sovereign debts crisis in Europe and the slow recovery of US economy continued to add uncertainties and volatilities in global financial market. The recent announcement by the Federal Reserve of the third round of quantitative easing (QE3) has augmented worldwide concerns over the formulation of fiscal policies and its impacts to economies and currencies of other countries. Under the current challenging environment, the Group will adhere firmly the implementation of its established strategy. The Chinese Central Government has recently issued more details in respect of national planning and long term vision of upto Year 2020 in respect of water supply infrastructure. The Group anticipates that the favorable marco-control policy will benefit the entire industry chain and continue to provide unprecedented opportunities for the Group, especially the Group's core business of water supply. Meanwhile, the Group will pay close attention to the policy trend and market changes to uphold and accelerate its leading position of integrated water solution provider.

The Group will continue to focus on the potential opportunities to strengthen its cash flow conditions by enlarging the cooperation with its investors and creditors and grasp prime investment opportunities in conservative approach.

CONVERTIBLE BONDS

During the six months ended 30 September 2012, the Company repurchased the convertible bonds with an aggregate principal amount of HK$9,000,000 at the total consideration of HK$9,810,000. After completion of the above repurchase, the outstanding principal amount of the convertible bonds as at 30 September 2012 is HK$526,500,000.

On 15 April 2013, the bondholders of the convertible bonds will have the right at such holders' option, to require the Company to redeem all or some of the convertible bonds (in whole but not in part) at 111.32 per cent of their unpaid principal amount as at 15 April 2013. Because of such possible early redemption by the bondholders of the convertible bonds and as the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after 30 September 2012, the convertible bonds which are carried at amortised cost, amounted to HK$539,337,000 are classified under current liability as at 30 September 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the Group has total cash and deposits balances of approximately HK$830.6 million (31 March 2012: HK$1,086.0 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 53.0% (31 March 2012: 52.8%) as at 30 September 2012. The current ratio is 1.03 times (31 March 2012: 1.20 times) as at 30 September 2012. 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.

HUMAN RESOURCES

As at 30 September 2012, the Group has employed approximately 5,200 staff. Most of them are 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.

CORPORATE GOVERNANCE

The board of directors (the "Board") is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with the increasingly tightened regulatory requirements.

During the six months ended 30 September 2012, the Company applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") (previously known as Code on Corporate Governance Practices) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

Code Provision A.2.1

Mr. Duan Chuan Liang serves as the chairman of the Company. The function of chief executive officer is collectively performed by the executive directors (being Mr. Duan Chuan Liang and Mr. Li Ji Sheng), which deviates from the requirement under Code Provision A.2.1 that the roles of the chairman and chief executive officer should be segregated. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board continues to believe that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has strong confidence in the executive directors and believes that this structure is beneficial to the business prospects of the Company.

Code Provision A.2.7

Under Code Provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As Mr. Duan Chuan Liang, the chairman of the Company, is an executive director of the Company, the Company cannot hold such a meeting where no executive director shall be present.

Code Provision A.4.2

Under this code provision, 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 Board should not be subject to retirement by rotation.

Code Provision A.6.7

Under Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, should attend general meetings and develop a balanced understanding of the views of shareholders. Certain non-executive directors and independent non-executive directors were unable to attend the Company's annual general meeting held on 7 September 2012 due to other business commitments.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by its directors. Having made specific enquiry of all the directors, all the directors have confirmed compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2012, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration (excluding expenses)
		HK$	*HK$*	*HK$*
June 2012	624,000	1.89	1.85	1,167,000

During the period ended 30 September 2012, the Company repurchased a total of 624,000 ordinary shares of HK$0.01 each in the capital of the Company. 624,000 of the repurchased shares were cancelled in August 2012. Accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

The purchase of the Company's shares during the period was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 December 2012 to Wednesday, 19 December 2012 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the interim dividend for the six months ended 30 September 2012, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 14 December 2012.

AUDIT COMMITTEE

The Audit Committee which comprises the four independent non-executive directors of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim condensed consolidated accounts for the six months ended 30 September 2012 with the directors.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Company and the Stock Exchange. The interim report will be despatched to the shareholders of the Company and made available on the same websites in due course.

On behalf of the Board
China Water Affairs Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 30 November 2012

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