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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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 2013, together with the comparative figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2013	2012
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**1,144,994**	1,006,687
Cost of sales		**(614,453)**	(538,243)
Gross profit		**530,541**	468,444
Other income	4	**71,557**	30,317
Selling and distribution costs		**(48,786)**	(42,717)
Administrative expenses		**(191,835)**	(169,530)
Fair value gain on investment properties		**49,521**	72,517
Gain on disposal of assets and liabilities classified as held for sale		**–**	41,333
Change in fair value of derivative financial instruments		**(4,288)**	7,939
Loss on repurchase/redemption of convertible bonds		**(1,657)**	(142)

* *For identification purpose only*

	Notes	Six months ended 30 September **2013** **(unaudited)** ***HK$'000***	2012 (unaudited) *HK$'000*
Profit from operation	5	**405,053**	408,161
Finance costs	6	**(53,557)**	(60,416)
Share of results of associates		**26,915**	(2,378)
Profit before income tax		**378,411**	345,367
Income tax expense	7	**(100,692)**	(87,817)
Profit for the period		**277,719**	257,550
Profit for the period attributable to:			
Owners of the Company		**156,711**	137,677
Non-controlling interests		**121,008**	119,873
		277,719	257,550
Earnings per share for profit attributable to owners of the Company during the period	8	***HK cents***	*HK cents*
Basic		**10.88**	9.48
Diluted		**N/A**	9.37

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit for the period	**277,719**	257,550
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
– Change in fair value of available-for-sale financial assets	**2,156**	3,724
– Currency translation	**55,477**	–
– Share of other comprehensive income of associates	**15,164**	4,948
Other comprehensive income for the period, net of tax	**72,797**	8,672
Total comprehensive income for the period	**350,516**	266,222
Total comprehensive income attributable to:		
Owners of the Company	**207,268**	146,349
Non-controlling interests	**143,248**	119,873
	350,516	266,222

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 September 2013	31 March 2013
		(unaudited)	(audited)
	Notes	***HK$'000***	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,996,791**	4,744,518
Prepaid land lease payments		**537,355**	521,781
Investment properties		**847,122**	740,283
Interests in associates		**1,125,031**	966,412
Available-for-sale financial assets		**161,711**	161,946
Goodwill		**240,275**	185,775
Other intangible assets		**185,596**	187,756
Deposits and prepayments		**341,580**	207,384
		8,435,461	7,715,855
Current assets			
Properties under development		**993,667**	803,542
Properties held for sale		**86,272**	75,605
Inventories		**288,854**	191,363
Trade and bills receivables	10	**642,596**	530,385
Amounts due from grantors for contract work		**328,914**	111,076
Financial assets at fair value through profit or loss		**1,394**	1,447
Due from non-controlling equity holders of subsidiaries		**406,818**	359,727
Due from associates		**205,000**	118,588
Prepayments, deposits and other receivables		**873,939**	670,514
Derivative financial assets		**109,122**	103,990
Pledged deposits		**104,490**	49,685
Deposits and cash		**1,566,535**	918,146
		5,607,601	3,934,068

		As at	
		30 September 2013	31 March 2013
		(unaudited)	(audited)
	Notes	***HK$'000***	*HK$'000*
Current liabilities			
Trade and bills payables	11	**514,262**	530,168
Accrued liabilities, deposits received and other payables		**1,964,614**	1,797,356
Due to non-controlling equity holders of subsidiaries		**184,385**	198,817
Due to associates		**55,774**	49,454
Borrowings		**3,171,981**	653,120
Convertible bonds		**165,120**	300,197
Provision for tax		**285,912**	248,858
Derivative financial liabilities		**15,514**	14,513
		6,357,562	3,792,483
Net current (liabilities)/assets		**(749,961)**	141,585
Total assets less current liabilities		**7,685,500**	7,857,440
Non-current liabilities			
Borrowings		**1,457,835**	2,075,636
Due to non-controlling equity holders of subsidiaries		**308,141**	21,740
Convertible bonds		**–**	196,641
Deposits received		**16,026**	9,658
Deferred government grants		**51,484**	52,296
Deferred tax liabilities		**350,187**	307,536
		2,183,673	2,663,507
Net assets		**5,501,827**	5,193,933
EQUITY			
Equity attributable to owners of the Company			
Share capital		**14,430**	14,430
Proposed dividend		**28,861**	43,291
Reserves		**3,468,624**	3,325,479
		3,511,915	3,383,200
Non-controlling interests		**1,989,912**	1,810,733
Total equity		**5,501,827**	5,193,933

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 2013 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 2013.

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:

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of items of other comprehensive income
Amendments to HKFRS 1	Governments loans
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (2011)	Employee benefit
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures

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); and

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

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, other infrastructure construction 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, except that 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 repurchase/redemption of convertible bonds are excluded from segment results.

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 2013

	City water supply operation and construction (unaudited) *HK$'000*	Sewage treatment operation and construction (unaudited) *HK$'000*	Property development and investment (unaudited) *HK$'000*	All other segments (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Revenue					
From external customers	**868,544**	**35,240**	**36,040**	**205,170**	**1,144,994**
From inter-segment	**–**	**–**	**–**	**–**	**–**
Segment revenue	**868,544**	**35,240**	**36,040**	**205,170**	**1,144,994**
Segment profit	**355,391**	**12,177**	**40,992**	**20,230**	**428,790**
Unallocated corporate income					**27,844**
Unallocated corporate expense					**(45,636)**
Change in fair value of derivative financial instruments					**(4,288)**
Loss on repurchase/redemption of convertible bonds					**(1,657)**
Finance costs					**(53,557)**
Share of results of associates	**4,036**	**–**	**22,879**	**–**	**26,915**
Profit before income tax					**378,411**
Income tax expense					**(100,692)**
Profit for the period					**277,719**
Total segment assets	**6,623,061**	**545,335**	**2,503,415**	**894,138**	**10,565,949**

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$'000*	All other segments (Restated) (unaudited) *HK$'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	261,678	10,647	97,237	18,049	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					7,939
Loss on repurchase 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	720,568	8,349,067

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.

"Other infrastructure construction" segment has been combined to "All other segments" this period. Certain comparative figures of segment information were therefore restated.

4. OTHER INCOME

	Consolidated Six months ended 30 September 2013 (unaudited) *HK$'000*	2012 (unaudited) *HK$'000*
Interest income	**23,254**	9,670
Dividend income from financial assets	**2,633**	224
Government grants and subsidies	**30,772**	13,177
Miscellaneous income	**14,898**	7,246
Total	**71,557**	30,317

5. PROFIT FROM OPERATION

Profit from operation is arrived at after charging:

	Consolidated Six months ended 30 September 2013 (unaudited) *HK$'000*	2012 (unaudited) *HK$'000*
Depreciation	**123,929**	108,970
Amortisation of prepaid land lease payments	**9,304**	8,651
Amortisation of other intangible assets	**4,549**	4,453

6. FINANCE COSTS

	Consolidated Six months ended 30 September 2013 (unaudited) *HK$'000*	2012 (unaudited) *HK$'000*
Interest on bank loans	**89,387**	52,052
Interest on other borrowings	**11,019**	9,088
Interest on convertible bonds	**7,482**	19,672
Total borrowing costs	**107,888**	80,812
Less: interest capitalised included in property, plant and equipment and properties under development	**(54,331)**	(20,396)
	53,557	60,416

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 (2012: 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	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current		
– PRC	**78,490**	68,438
Deferred		
– tax charge for the period	**22,202**	19,379
Total tax charge for the period	**100,692**	87,817

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$156,711,000 (2012: HK$137,677,000) and on the weighted average of 1,440,240,785 (2012: 1,451,765,382) ordinary shares in issue during the period.

No diluted earnings per share are presented for the financial period ended 30 September 2013 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.

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.

9. DIVIDENDS

(a) Dividends attributable to the interim period

	Consolidated Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interim dividend		
– HK$0.02 (2012: HK$0.02) per ordinary share	**28,861**	29,029

The interim dividend proposed after the reporting date for the financial period ended 30 September 2013 and 2012 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 2013 and 2012 respectively.

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

	2013	2012
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year of HK$0.03 (2012: HK$0.03) per ordinary share	**43,291**	43,562
Adjustment to the final dividend*	**(379)**	(18)
	42,912	43,544

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

10. TRADE AND BILLS RECEIVABLES

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

	As at	
	30 September	31 March
	2013	2013
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 to 90 days	**320,860**	202,771
91 to 180 days	**90,930**	117,129
Over 180 days	**230,806**	210,485
	642,596	530,385

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 2013 (unaudited)	31 March 2013 (audited)
	HK$'000	*HK$'000*
0 to 90 days	**243,900**	201,233
91 to 180 days	**58,495**	96,293
Over 180 days	**211,867**	232,642
	514,262	530,168

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

12. POST REPORTING DATE EVENT

The Group had the following material event after 30 September 2013:

Subsequent to the reporting date and up to the date of this announcement, the Company repurchased a total of 13,920,000 ordinary shares of HK$0.01 each in the capital of the Company at an aggregate price of approximately HK$42,898,000. The highest price paid and the lowest price paid was HK$3.15 and HK$2.97 respectively. All the repurchased shares were not cancelled at the date of this announcement.

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 2013 (2012: HK$0.02 per ordinary share). The interim dividend will be payable on or about Friday, 3 January 2014 to the shareholders whose names appear on the register of member on Tuesday, 17 December 2013.

BUSINESS REVIEW

The Group's total revenue continuously increased from HK$1,006.7 million for the six months ended 30 September 2012 to HK$1,145.0 million for the six months ended 30 September 2013, representing an increase of 13.7%. 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$903.8 million, represented an increase of 14.0% when compared with the total "water" segment revenue of HK$793.1 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$868.5 million (2012: HK$769.4 million), representing an increase of 12.9% 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$355.4 million (2012: HK$261.7 million), representing an increase of 35.8% as compared with the last corresponding period.

(ii) Sewage Treatment Business Analysis

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

For the period under review, the revenue from sewage treatment operation and construction business amounted to HK$35.2 million (2012: HK$23.6 million), representing an increase of 49.2% as compared with the last corresponding period. The total sewage treatment segment profit (including sewage treatment operating and construction) amounted to HK$12.2 million (2012: HK$10.6 million), representing an increase of 15.1% 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$36.0 million (2012: HK$78.1 million). The total property business segment profit amounted to HK$41.0 million (2012: HK$97.2 million), representing a decrease of 57.8% 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$49.5 million (2012: HK$72.5 million).

For the six months ended 30 September 2012, 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. 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

Going forward, the developed countries in Europe and United States (US) are still being confronted with the debt crisis and slow recovery of economy. Uncertainty arising from the concerns over the tightening of their monetary policies such as tapering of quantitative easing in US is expected to continue the turbulence in global financial market and market liquidity. Despite these, the supportive policies in relation to the Group's water supply and sewage treatment businesses are being launched continuously in China. Green economy, resources (such as water and energy) conservation and environmental protection are placed among the top rank of the national policies under the 12th Five-Year Plan. According to the communiqué from the third plenum of the party's 18th Central Committee, reform in price mechanism in water area, which stresses the importance of market with less government intervention, would be proceeded. In the recognition of acute water scarcity and increasing demand for reducing water pollution in China, tariff hikes for water supply and sewage treatment operators are expected. As such, the Group still sees a hugh room for growth in the market. To respond and capture the market opportunities effectively, the Group will closely analyse the macroeconomic trends and policy changes; identify the critical risks and challenges; and monitor its development and execution of business strategy. By uniting concerted efforts of all staff, optimising management efficiency, strengthening internal control and leveraging on our capital strength, the Group is confident to take a further leap in the industry.

CONVERTIBLE BONDS

As of 31 March 2013, the Company received redemption notice to redeem the convertible bonds of principal amount of HK$286,700,000 at the total consideration of HK$319,154,000. Such redemption was completed on 15 April 2013. Immediately after completion of the above redemption, the outstanding principal amount of the convertible bonds is HK$187,800,000. In addition, during the six months ended 30 September 2013, the Company repurchased convertible bonds with an aggregate principal amount of HK$21,000,000 at the total consideration of HK$24,033,000. After completion of the above repurchase, the outstanding principal amount of the convertible bonds is HK$166,800,000. The Group recognised a loss on repurchase/redemption of the convertible bonds of HK$1,657,000 during the six months ended 30 September 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2013, the Group has total cash and deposits balances of approximately HK$1,671.0 million (31 March 2013: HK$967.8 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 60.8% (31 March 2013: 55.4%) as at 30 September 2013. The current ratio is 0.88 times (31 March 2013: 1.04 times) as at 30 September 2013. 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 2013, the Group has employed approximately 5,400 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 Company 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 of directors (the "Board") reviews its corporate governance system 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 2013, the Company has complied with all the applicable provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save and except for the deviations from code provisions A.2.1, A.2.7, A.4.2 and A.6.7.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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 Ms. Ding Bin). 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.

Under code provision A.2.7, 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.

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 Board should not be subject to retirement by rotation.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive directors and non-executive directors were unable to attend the Company's annual general meeting held on 6 September 2013 due to their other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code throughout the six months ended 30 September 2013 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

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

During the six months ended 30 September 2013 and subsequent to the reporting date and up to the date of this announcement, 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 2013	8,042,000	2.91	2.64	22,214,000
September 2013	16,158,000	2.95	2.76	46,150,000
October 2013	13,920,000	3.15	2.97	42,898,000

During the period ended 30 September 2013, the Company repurchased a total of 24,200,000 ordinary shares of HK$0.01 each in the capital of the Company at an aggregate price of approximately HK$68,364,000. The highest price paid and the lowest price paid was HK$2.95 and HK$2.64 respectively. All the repurchased shares were not cancelled at 30 September 2013 and the date of this announcement.

Subsequent to the reporting date and up to the date of this announcement, the Company repurchased a total of 13,920,000 ordinary shares of HK$0.01 each in the capital of the Company at an aggregate price of approximately HK$42,898,000. The highest price paid and the lowest price paid was HK$3.15 and HK$2.97 respectively. All the repurchased shares were not cancelled at the date of this announcement.

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 Friday, 13 December 2013 to Tuesday, 17 December 2013 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 2013, 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 Thursday, 12 December 2013.

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 2013 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, 26 November 2013

As at the date of this announcement, the Board comprises two executive Directors, being Mr. Duan Chuan Liang and Ms. Ding Bin, four non-executive Directors, being Mr. Chen Guo Ru, 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.