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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 2015

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 2015, together with the comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2015	2014
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**1,638,121**	1,355,530
Cost of sales		**(832,375)**	(718,769)
Gross profit		**805,746**	636,761
Other income	4	**122,560**	106,345
Selling and distribution costs		**(50,613)**	(46,575)
Administrative expenses		**(242,905)**	(206,192)
Equity-settled share options expenses		**(34,606)**	–
Fair value gain on investment properties		**62,299**	143,497
Change in fair value of derivative financial instruments		**(9,749)**	(11,556)
(Loss)/Gain on repurchase/redemption of convertible bonds		**(33)**	116

* *For identification purpose only*

	Notes	Six months ended 30 September **2015** **(unaudited)** ***HK$'000***	2014 (unaudited) *HK$'000*
Profit from operation	5	**652,699**	622,396
Finance costs	6	**(92,515)**	(39,735)
Share of results of associates		**57,441**	(22,607)
Profit before income tax		**617,625**	560,054
Income tax expense	7	**(169,992)**	(185,472)
Profit for the period		**447,633**	374,582
Profit for the period attributable to:			
Owners of the Company		**259,981**	236,479
Non-controlling interests		**187,652**	138,103
		447,633	374,582
Earnings per share for profit attributable to owners of the Company during the period	8	***HK cents***	*HK cents*
Basic		**17.36**	16.88
Diluted		**17.28**	16.88

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit for the period	**447,633**	374,582
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
– Change in fair value of available-for-sale financial assets	**4,090**	1,211
– Currency translation	**(82,024)**	–
– Share of other comprehensive income of associates	**–**	391
– Reclassification adjustment – Disposal of a subsidiary	**(127)**	–
– Reclassification adjustment – Disposal of an associate	**205**	–
Other comprehensive income for the period, net of tax	**(77,856)**	1,602
Total comprehensive income for the period	**369,777**	376,184
Total comprehensive income attributable to:		
Owners of the Company	**213,895**	238,081
Non-controlling interests	**155,882**	138,103
	369,777	376,184

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 September 2015	31 March 2015
		(unaudited)	(audited)
	Notes	***HK$'000***	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,553,900**	5,995,282
Prepaid land lease payments		**554,034**	466,873
Investment properties		**919,560**	742,305
Interests in associates		**1,449,809**	1,363,334
Available-for-sale financial assets		**262,011**	163,875
Goodwill		**645,226**	239,212
Other intangible assets		**168,948**	175,729
Deposits and prepayments		**137,769**	269,759
		10,691,257	9,416,369
Current assets			
Properties under development		**465,679**	432,695
Properties held for sale		**242,302**	242,945
Inventories		**332,671**	301,217
Trade and bills receivables	10	**871,113**	655,776
Amounts due from grantors for contract work		**584,928**	364,149
Financial assets at fair value through profit or loss		**1,004**	77,380
Due from non-controlling equity holders of subsidiaries		**356,767**	541,602
Due from associates		**194,878**	214,301
Prepayments, deposits and other receivables		**1,146,189**	925,290
Derivative financial assets		**90,203**	99,952
Pledged deposits		**401,909**	329,925
Deposits and cash		**2,604,875**	1,500,748
		7,292,518	5,685,980

	Notes	As at 30 September 2015 (unaudited) HK$'000	As at 31 March 2015 (audited) HK$'000
Current liabilities			
Trade and bills payables	11	**569,084**	486,361
Accrued liabilities, deposits received and other payables		**1,959,976**	1,648,225
Due to non-controlling equity holders of subsidiaries		**190,906**	211,562
Due to associates		**95,395**	95,158
Borrowings		**2,924,288**	2,347,068
Convertible bonds		**–**	28,969
Provision for tax		**410,132**	393,869
Derivative financial liabilities		**–**	2,987
		6,149,781	5,214,199
Net current assets		**1,142,737**	471,781
Total assets less current liabilities		**11,833,994**	9,888,150
Non-current liabilities			
Borrowings		**4,121,750**	3,024,468
Deposits received		**116,711**	107,451
Deferred government grants		**88,252**	78,701
Deferred tax liabilities		**282,741**	241,389
		4,609,454	3,452,009
Net assets		**7,224,540**	6,436,141
EQUITY			
Equity attributable to owners of the Company			
Share capital		**15,199**	14,447
Proposed dividend		**45,596**	57,787
Reserves		**4,378,981**	3,851,192
		4,439,776	3,923,426
Non-controlling interests		**2,784,764**	2,512,715
Total equity		**7,224,540**	6,436,141

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 2015 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 2015.

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 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

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) "Concrete related products and services" segment involves production and sales of ready-mixed concrete and related services.

Information about other business activities and operating segments that are not reportable are combined and disclosed in "All other segments". "All other segments" includes 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, finance costs, share of results of associates, corporate income, corporate expense, income tax expense, gain/loss on repurchase/redemption of convertible bonds and equity-settled share options expenses 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 2015

	City water supply operation and construction (unaudited) *HK$'000*	Sewage treatment operation and construction (unaudited) *HK$'000*	Property development and investment (unaudited) *HK$'000*	Concrete related products and services (unaudited) *HK$'000*	All other segments (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Revenue						
From external customers	1,295,199	162,405	15,178	123,943	41,396	1,638,121
From inter-segment	–	–	–	–	–	–
Segment revenue	1,295,199	162,405	15,178	123,943	41,396	1,638,121
Segment profit	536,085	77,749	61,534	20,815	14,456	710,639
Unallocated corporate income						70,260
Unallocated corporate expense						(83,812)
Equity-settled share options expenses						(34,606)
Change in fair value of derivative financial instruments						(9,749)
Loss on redemption of convertible bonds						(33)
Finance costs						(92,515)
Share of results of associates	10,857	91	(38,845)	–	85,338	57,441
Profit before income tax						617,625
Income tax expense						(169,992)
Profit for the period						447,633
Total segment assets	8,887,888	1,027,961	1,693,308	383,852	928,516	12,921,525

For the financial period ended 30 September 2014

	City water supply operation and construction (unaudited) *HK$'000*	Sewage treatment operation and construction (unaudited) *HK$'000*	Property development and investment (unaudited) *HK$'000*	Concrete related products and services (unaudited) *HK$'000*	All other segments (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Revenue						
From external customers	997,566	81,651	71,013	172,189	33,111	1,355,530
From inter-segment	–	–	–	–	–	–
Segment revenue	997,566	81,651	71,013	172,189	33,111	1,355,530
Segment profit	402,994	27,892	162,269	34,779	12,533	640,467
Unallocated corporate income						51,347
Unallocated corporate expense						(57,978)
Change in fair value of derivative financial instruments						(11,556)
Gain on repurchase of convertible bonds						116
Finance costs						(39,735)
Share of results of associates	7,948	–	(29,108)	–	(1,447)	(22,607)
Profit before income tax						560,054
Income tax expense						(185,472)
Profit for the period						374,582
Total segment assets	7,175,172	514,643	1,772,437	387,792	772,918	10,622,962

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	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest income	**59,849**	48,732
Dividend income from financial assets	**8,912**	2,609
Government grants and subsidies	**15,211**	40,142
Gain on disposal of prepaid land lease payments	**28,129**	–
Miscellaneous income	**10,459**	14,862
Total	**122,560**	106,345

5. PROFIT FROM OPERATION

Profit from operation is arrived at after charging:

	Consolidated Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Depreciation	**153,719**	131,533
Amortisation of prepaid land lease payments	**8,391**	7,985
Amortisation of other intangible assets	**4,458**	4,641

6. FINANCE COSTS

	Consolidated Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**105,874**	97,645
Interest on other borrowings	**41,844**	9,951
Interest on convertible bonds	**69**	6,155
Total borrowing costs	**147,787**	113,751
Less: interest capitalised included in property, plant and equipment and properties under development	**(55,272)**	(74,016)
	92,515	39,735

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 (2014: 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	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current		
– PRC	**152,191**	133,652
Deferred		
– tax charge for the period	**17,801**	51,820
Total tax charge for the period	**169,992**	185,472

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$259,981,000 (2014: HK$236,479,000) and the weighted average of 1,497,180,266 (2014: 1,401,073,393) ordinary shares in issue during the period.

In the calculation of the diluted earnings per share attributable to the owners of the Company for the financial period ended 30 September 2015, the potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to the owners of the Company and were 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 period attributable to owners of the Company of HK$259,981,000 and on the weighted average of 1,504,193,677 ordinary shares outstanding during the period, being the weighted average number of ordinary shares of 1,497,180,266 used in basic earnings per share calculation and adjusted for the effect of share options existing during the period of 7,013,411.

Diluted earnings per share for the financial period ended 30 September 2014 is the same as the basic earnings per share because the impact of the potential dilutive ordinary shares outstanding is anti-dilutive.

9. DIVIDENDS

Dividends attributable to the interim period

	Consolidated Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interim dividend		
– HK$0.03 (2014: HK$0.03) per ordinary share	**45,596**	41,992

The interim dividend proposed after the reporting date for the financial period ended 30 September 2015 and 2014 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 2015 and 2014 respectively.

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
	2015	2015
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 to 90 days	**416,885**	258,724
91 to 180 days	**137,696**	145,072
Over 180 days	**316,532**	251,980
	871,113	655,776

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 2015 (unaudited) *HK$'000*	As at 31 March 2015 (audited) *HK$'000*
0 to 90 days	**293,948**	273,954
91 to 180 days	**85,198**	61,133
Over 180 days	**189,938**	151,274
	569,084	486,361

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 2015:

On 8 July 2011, the Company and its subsidiary, 上海銀龍股權投資有限公司, entered into a term facility agreement ("ADB Loan Agreement") with Asian Development Bank ("ADB") for a loan facility (the "ADB Loan") of up to US$100 million. ADB Loan Agreement was further amended and restated on 1 February 2013 for another US$100 million (the "Amended ADB Loan Agreement"). The ADB Loan Agreement was further amended on 6 March 2014. Pursuant to the Amended ADB Loan Agreement, at any time prior to the third anniversary to the Amended ADB Loan Agreement, ADB may, upon giving ninety days' prior written notice to the Company ("Prepayment Notice"), demand and the Company shall repay on the third anniversary of the Amended ADB Loan Agreement the portion of the ADB Loan notified to it by ADB. The facility of US$100 million under the ADB Loan and US$100 million under the Amended ADB Loan Agreement were fully utilised. Pursuant to the Prepayment Notice received on 29 October 2015, the Company shall prepay a portion of the ADB Loan in the outstanding principal amount of US$22,050,000 on 1 February 2016.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.03 per ordinary share for the six months ended 30 September 2015 (2014: HK$0.03 per ordinary share). The interim dividend is expected to be paid on or about Friday, 29 January 2016 to the shareholders whose names appear on the register of members on Friday, 18 December 2015.

BUSINESS REVIEW

The Group's total revenue continuously increased from HK$1,355.5 million for the six months ended 30 September 2014 to HK$1,638.1 million for the six months ended 30 September 2015, representing an increase of 20.8%. The Group recorded a robust growth in its "Water" segment. For the period under review, the total revenue attributable to the "Water" segment amounted to HK$1,457.6 million, which represented approximately 89.0% of the total revenue. For the corresponding period under review, the total revenue attributable to the "Water" segment amounted to HK$1,079.2 million, which represented approximately 79.6% of the total revenue only. This represented an organic growth of "Water" segment revenue of 35.1%, which was 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, Hubei, Henan, Hebei, Hainan, Jiangsu, Jiangxi, Shenzhen, Guangdong, Chongqing, Shandong, Shanxi and Heilongjiang.

For the period under review, the revenue from city water supply operation and construction amounted to HK$1,295.2 million (2014: HK$997.6 million), representing a significant increase of 29.8% 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$536.1 million (2014: HK$403.0 million), representing a significant increase of 33.0% as compared with the last corresponding period, which was mainly attributable to the contribution from the acquisition of Goldtrust Water Holdings Limited and its subsidiaries ("Goldtrust Water Group") and other new water projects during the period.

(ii) Sewage Treatment Business Analysis

Sewage treatment projects of the Group are well spread in various provincial cities and regions across China, including Beijing, Tianjin, Shenzhen, Guangdong, Henan, Hebei, Hubei, Jiangsu, Jiangxi and Shaanxi.

For the period under review, the revenue from sewage treatment operation and construction business amounted to HK$162.4 million (2014: HK$81.7 million), representing a significant increase of 98.8% as compared with the last corresponding period. The total sewage treatment segment profit (including sewage treatment operating and construction) amounted to HK$77.7 million (2014: HK$27.9 million), representing a significant increase of 178.5% as compared with the last corresponding period, which was mainly attributable to the contribution from the acquisition of Goldtrust Water Group and 惠州市銀龍實業有限公司 and its subsidiary during the period.

(iii) Property Business Analysis

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

For the period under review, the revenue from the property business segment amounted to HK$15.2 million (2014: HK$71.0 million). The total property business segment profit amounted to HK$61.5 million (2014: HK$162.3 million), representing a decrease of 62.1% as compared with the last corresponding period, which was mainly because no sales of property projects were recorded and the fair value gain on investment properties decreased by HK$81.2 million (2014: fair value gain of HK$143.5 million) in current period.

(iv) Concrete Business Analysis

Concrete projects of the Group are mainly located in Jiangxi and Hunan provinces of China.

For the period under review, the revenue from concrete business segment amounted to HK$123.9 million (2014: HK$172.2 million). The total concrete business segment profit amounted to HK$20.8 million (2014: HK$34.8 million), representing a decrease of 40.2% as compared with the last corresponding period.

For the period under review, the increase in the Group's share of results of associates was mainly attributable to the disposal of entire interest of Jiu Rong Holdings Limited, whose ordinary shares are listed on the mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2358), resulting in a gain of HK$86.7 million. For the period under review, the Group also recorded a loss on share of results of China City Infrastructure Group Limited, whose ordinary shares are listed on the Stock Exchange (stock code: 2349), in an amount of HK$37.6 million (2014: 15.7 million).

PROSPECTS

Premier Li Keqiang stressed at the World Economic Forum (WEF) Annual Meeting 2015 in Davos, Switzerland that China will maintain medium-to-high speed of growth, keep a proper balance between steady growth and structural adjustment, and push forward reforms. To achieve the medium-to-high level of development, it has to rely on both the traditional and new engines of growth. To transform the traditional engine of growth, the government is encouraging the non-governmental participation to improve the efficiency of supply of public goods and services, putting a more important role for the private and social funds to play in the public service sector. Central Government has since issued a series of policies and guidelines, for further deepening the reform in the utility sectors:

The State Council's policy of 'Water Ten Plan' has rolled out the road map of water tariff reform to start the progressive water tariff system across the county by the end of 2015.

On 12 October 2015, the State Council issued a further document on tariff reform "Several Opinions of the CPC Central Committee and the State Council on Advancing the Pricing Mechanism Reform", stressing the importance of the market mechanism and its role in the tariff reform.

On 16 October, the State Council issued "Guideline to Promote Building Sponge Cities", which opens a grand water business market to the operators with experience of managing underground pipeline networks.

With the favorable government's macro policies, the Company has set up a business development strategy to divest and monetize the non-core assets and scale up the merger and acquisition of water assets. This will create synergies with our existing water businesses and improve the operational efficiency as a whole to bring larger returns to our shareholders.

CAPITAL RAISING

On 27 April 2015, the Group entered into an agreement with AIRRO Cayman Holdings IV Corp and Ms. Lu Hai, that the Group conditionally acquired 100% of equity interests of Goldtrust Water Group and 9.7% of equity interest in Shenzhen Bus Group Co., Ltd. ("Shenzhen Bus Group") at the total cash consideration of US$109,712,736. Goldtrust Water Group is principally engaged in water supply, sewage treatment and other water related businesses in the PRC and it holds 9.7% equity interest in Shenzhen Bus Group which is principally engaged in providing public bus transportation services in Shenzhen.

Supplemental agreement was entered between the Group and Ms. Lu Hai on 28 April 2015 that the Group issued and alloted 29,207,457 new shares in the Company at HK$4.458 per share as consideration shares for the settlement of cash consideration payable to Ms. Lu Hai in relation to her shareholding interests in Goldtrust Water Group. The consideration shares were issued on 3 June 2015.

On 15 May 2015, the Company entered into a subscription agreement with International Finance Corporation ("IFC"), pursuant to which IFC conditionally subscribed 36,907,143 new shares of the Company at HK$4.20 each. On 29 May 2015, the subscription was completed and raised gross proceeds of approximately HK$155 million (before expenses) which will be used for general working capital and business development of the Group. All the relevant proceeds have been used for the Group's acquisition of Goldtrust Water Group.

CONVERTIBLE BONDS

During the six months ended 30 September 2015, the Company converted, at the request of bondholders, convertible bonds in principal amount of HK$26,100,000 into ordinary shares at conversion price of HK$2.88. After the completion of redemption, the outstanding principal amount of the convertible bonds of HK$1,200,000 was fully repaid during the six months ended 30 September 2015. The Group recognised a loss on redemption of the convertible bonds of HK$33,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2015, the Group has total cash and deposits balances of approximately HK$3,006.8 million (31 March 2015: HK$1,830.7 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 59.8% (31 March 2015: 57.4%) as at 30 September 2015. The current ratio is 1.19 times (31 March 2015: 1.09 times) as at 30 September 2015. 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 2015, the Group has employed approximately 7,000 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 2015, 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. 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 2 September 2015 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 2015 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 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 December 2015 to Friday, 18 December 2015 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 2015, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 December 2015.

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 2015 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 2015

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Duan Chuan Liang, Ms. Ding Bin , Ms. Liu Yu Jie and Mr. Li Zhong, four non-executive Directors, being Mr. Zhao Hai Hu, Mr. Zhou Wen Zhi, Mr. Makoto Inoue and Ms. Wang Xiaoqin, and four independent non-executive Directors, being Ms. Huang Shao Yun, Ms. Liu Dong, Mr. Chau Kam Wing and Mr. Ong King Keung.