中國水務地產集團有限公司
CHINA WATER PROPERTY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2349)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

KEY FINANCIAL HIGHLIGHTS

- Turnover was approximately HK$48.8 million, decreased by 35% compared with HK$75.4 million (restated) in 2011, mainly because there were no new property projects completed and delivered by the Group to the buyers during the period. Turnover for the current period represented rental income and other property-related service income.

- During the period ended 30 June 2012, rental income arising from Future City Shopping Centre was approximately HK$32.9 million, a new stream of income since late August 2011.

- Future City Shopping Centre contributed the fair value gain of approximately HK$77.8 million.

- Total assets of the Group were approximately HK$3,693.2 million as at 30 June 2012, increased by 9% compared with HK$3,387.3 million as at 31 December 2011.

- Profit for the period attributable to owners of the Company was approximately HK$11.8 million, decreased by 66% compared with HK$34.9 million in 2011.

- Total equity attributable to owners of the Company was approximately HK$1,574.7 million as at 30 June 2012, increased by 4% compared with HK$1,512.3 million as at 31 December 2011.

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of China Water Property Group Limited (the "Company") is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
Turnover	*3*	**48,825**	75,398
Cost of sales		**(25,839)**	(42,340)
Gross profit		**22,986**	33,058
Fair value gain in respect of investment properties		**77,778**	70,118
Other operating income		**506**	4,946
Selling and distribution expenses		**(4,610)**	(1,318)
Administrative expenses		**(37,358)**	(33,559)
Finance costs	*4*	**(18,102)**	(6,620)
Profit before taxation		**41,200**	66,625
Income tax expenses	*5*	**(22,161)**	(24,756)
Profit for the period from continuing operations	*7*	**19,039**	41,869
Discontinued operation			
Loss for the period from discontinued operation	*6*	**(8,961)**	(9,740)
Profit for the period		**10,078**	32,129

	Notes	Six months ended 30 June 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited) (restated)
Profit for the period attributable to:			
Owners of the Company			
Profit for the period from continuing operations		**20,746**	44,462
Loss for the period from discontinued operation		**(8,961)**	(9,585)
Profit for the period attributable to owners of the Company		**11,785**	34,877
Non-controlling interests			
Loss for the period from continuing operations		**(1,707)**	(2,593)
Loss for the period from discontinued operations		**—**	(155)
Loss for the period attributable to non-controlling interests		**(1,707)**	(2,748)
Profit for the period		**10,078**	32,129
		HK Cents	*HK Cents* (restated)
Earnings per share	*9*		
From continuing and discontinued operations			
— Basic		**0.67**	2.65
— Diluted		**0.67**	2.41
From continuing operations			
— Basic		**1.18**	3.38
— Diluted		**1.17**	3.03

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**10,078**	32,129
Other comprehensive income (expense):		
Exchange differences arising on translation	**14,667**	6,000
Fair value gain in respect of properties prior to its reclassification as investment properties	**7,930**	—
Deferred taxation recognised on fair value change of properties prior to its reclassification as investment properties	**(1,983)**	—
Other comprehensive income for the period	**20,614**	6,000
Total comprehensive income for the period (net of tax)	**30,692**	38,129
Total comprehensive income (expense) attributable to:		
Owners of the Company	**32,399**	40,877
Non-controlling interests	**(1,707)**	(2,748)
	30,692	38,129

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
ASSETS			
Non-current Assets			
Prepaid lease payments		—	1,616
Property, plant and equipment		**115,537**	132,887
Investment properties		**1,442,593**	1,339,024
Goodwill		**174,605**	174,605
Deposit paid on acquisition of a subsidiary	*12*	—	121,951
		1,732,735	1,770,083
Current Assets			
Inventories		**648**	4,503
Inventory of properties		**1,679,301**	1,213,864
Trade and other receivables	*10*	**139,338**	245,179
Prepaid tax		**156**	156
Pledged bank deposits		—	3,307
Bank balances and cash		**115,348**	150,186
		1,934,791	1,617,195
Assets classified as held for sale	*6*	**25,697**	—
		1,960,488	1,617,195
TOTAL ASSETS		**3,693,223**	3,387,278
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**180,872**	175,872
Reserves		**1,393,849**	1,336,450
Equity attributable to owners of the Company		**1,574,721**	1,512,322
Non-controlling interests		**135,224**	136,931
TOTAL EQUITY		**1,709,945**	1,649,253

	Notes	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Non-current Liabilities			
Deferred tax liabilities		**337,777**	280,444
Borrowings — due after one year		**117,284**	128,049
Convertible notes		**65,668**	64,464
Deposits received for sale and lease of properties — non-current portion		**122,857**	123,706
Deferred income — non-current portion		**20,935**	22,114
		664,521	618,777
Current Liabilities			
Trade and other payables	*11*	**323,167**	323,167
Deposits received for sale and lease of properties — current portion		**319,280**	122,244
Tax payable		**43,426**	118,910
Amounts due to non-controlling shareholders of subsidiaries		**67,361**	58,962
Amounts due to related parties		**162,279**	114,298
Borrowings — due within one year		**366,667**	353,478
Deferred income — current portion		**8,182**	28,189
		1,290,362	1,119,248
Liabilities associated with assets classified as held for sale	*6*	**28,395**	—
		1,318,757	1,119,248
TOTAL LIABILITIES		**1,983,278**	1,738,025
TOTAL EQUITY AND LIABILITIES		**3,693,223**	3,387,278
NET CURRENT ASSETS		**641,731**	497,947
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,374,466**	2,268,030

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared 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 "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

The condensed consolidated financial statements have been prepared under the historical cost convention. The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2011, except as described in Note 2 below.

In current period for the six months ended 30 June 2012 (the "Current Period"), the Group was engaged in production and distribution of snack food, convenient frozen food and other food products. This operation was discontinued on 11 June 2012. Details are set out in Note 6. Accordingly, the comparative figures of the condensed consolidated income statement for the six months ended 30 June 2011 have been restated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

New and revised Standards and Interpretations applied in the Current Period

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

- amendments to HKFRS 7 Financial Instruments: Disclosure — Transfers of Financial Assets; and
- amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The application of the above amendments in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

HKFRSs issued but not yet effective

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Save as disclosed in the annual report for the year ended 31 December 2011, the directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The accounting policies of the operating segments are the same as the Group's accounting policies in the preparation of the Group's annual financial statements.

The Group's operating segments are identified on the basis of annual reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. Specifically, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions, which is the same information reported to the chief operating decision maker.

The Group's operating segments are as follows:

- Property Investment Business Segment engages in leasing of investment properties in the People's Republic of China (the "PRC")

- Property Development Business Segment engages in development of property project in the PRC

- Other Property-related Business Segment engages in provision of property management services and operation of hotel

The Group involved in production and distribution of snack food, convenient frozen food and other food products (the "discontinued operation"). This operation was classified as discontinued operation from 11 June 2012. The segment information reported does not include any amounts of the discontinued operation, details of which are set out in Note 6.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the six months ended 30 June 2012

Continuing operations

	Property Investment	Property Development	Other Property-related Businesses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL REVENUE AND EXTERNAL SALES	32,874	—	15,951	48,825
RESULT				
Segment operating results	23,203	(15,629)	(9,681)	(2,107)
Fair value gain in respect of investment properties	77,778	—	—	77,778
Unallocated corporate income				85
Unallocated corporate expense				(16,454)
Profit from operations				59,302
Finance costs				(18,102)
Profit before taxation				41,200
Income tax expenses				(22,161)
Profit for the period				19,039

For the six months ended 30 June 2011

Continuing operations

	Property Investment	Property Development	Total
	HK$'000	*HK$'000*	*HK$'000* (restated)
TOTAL REVENUE AND EXTERNAL SALES	—	75,398	75,398
RESULT			
Segment operating results	(1,501)	23,586	22,085
Fair value gain in respect of investment properties	70,118	—	70,118
Unallocated corporate income			2,771
Unallocated corporate expense			(21,729)
Profit from operations			73,245
Finance costs			(6,620)
Profit before taxation			66,625
Income tax expenses			(24,756)
Profit for the period			41,869

4. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Interest expense on bank loans, overdrafts and other borrowings wholly repayable within five years	**26,714**	31,737
Effective interest expense on convertible notes	**2,421**	2,329
	29,135	34,066
Less: amounts capitalised in the cost of qualifying assets	**(11,033)**	(27,446)
	18,102	6,620

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
The tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	**—**	—
PRC Enterprise Income Tax ("EIT")	**2,717**	4,592
PRC Land Appreciation Tax ("LAT")	**—**	2,635
Current tax expense for the period from continuing operations	**2,717**	7,227
Deferred tax expense for the period from continuing operations	**19,444**	17,529
	22,161	24,756

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit arising in Hong Kong for both periods.

The Group's PRC EIT is calculated based on the applicable tax rates on assessable profits, if applicable.

PRC LAT is levied at prevailing tax rate on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

6. DISCONTINUED OPERATION/DISPOSAL GROUP HELD FOR SALE

Discontinued operation of foods business of the Group ("Wah Yuen Foods Business")

On 24 April 2012, the subsidiaries of the Company entered into a sale and purchase agreement (the "Agreement") to dispose their equity interests in Honfine Company Limited, Wah Yuen Foods (Hong Kong) Company Limited, Million Riches Development Limited and Wah Yuen Licensing Company Limited (hereafter collectively refer as "Sale Companies"), which are principally engaged in the distribution of food products, and dispose of machineries and inventories of certain subsidiaries of the Company, which are related to the production of food products and are mainly related to the business of the Sale Companies (collectively refer to as "Disposal Group"), to Auto Success Limited (the "Disposals"), a Connected Person of the Company under Chapter 14A of the Listing Rules at a consideration of HK$25,000,000, subject to adjustments. Details of the Disposals are disclosed in the circular of the Company dated 24 May 2012. The Disposals were approved by shareholders in an extraordinary general meeting held on 11 June 2012. As at 30 June 2012, the transaction was not yet completed, and therefore, the assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months, have been classified as assets classified as held for sale and liabilities associated with assets classified as held for sale respectively and are presented separately in the condensed consolidated statement of financial position (see below). Subsequently, the Disposals were completed in July 2012, details of which are set out in Note 13.

In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, as at 30 June 2012, the Disposals constitute discontinued operation of Wah Yuen Foods Business, therefore the comparative figures for the six months ended 30 June 2011 have been restated.

The results of Wah Yuen Foods Business for the six months ended 30 June 2012 and 2011, which have been included in the profit or loss, were as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Turnover	**10,786**	26,288
Cost of sales	**(8,666)**	(20,545)
Gross profit	**2,120**	5,743
Selling, distribution and administrative expenses	**(10,744)**	(15,094)
Other income	**25**	951
Finance costs	**(336)**	(1,340)
Loss before taxation from discontinued operation	**(8,935)**	(9,740)
Income tax expenses	**(26)**	—
Loss for the period from discontinued operation	**(8,961)**	(9,740)
Loss for the period from discontinued operation has been arrived at after charging:		
Depreciation of property, plant and equipment	**2,869**	2,963
Amortisation of prepaid lease payments	**97**	522

The sale proceeds are expected to exceed the net carrying amounts of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the Disposal Group as at 30 June 2012, which have been presented separately in the condensed consolidated statement of financial position, are as follows:

	30 June 2012
	HK$'000
Property, plant and equipment	**10,794**
Prepaid lease payments	**207**
Inventories	**4,148**
Trade and other receivables	**7,901**
Bank balances and cash	**2,647**
Total assets classified as held for sale	**25,697**
Trade and other payables	**13,601**
Tax payable	**29**
Bank borrowings	**14,731**
Deferred tax liabilities	**34**
Total liabilities associated with assets classified as held for sale	**28,395**

7. PROFIT FOR THE PERIOD

Continuing operations

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Depreciation and amortisation	**5,753**	1,074
Operating lease rental in respect of rental premises	**13,396**	2,899
Gross rental income from investment properties	**(32,874)**	—
Less: Direct operating expenses from investment properties that generate rental income during the period	**2,841**	—
	(30,033)	—

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings per share is based on the earnings attributable to owners of the Company of approximately HK$11,785,000 (six months ended 30 June 2011: HK$34,877,000) and the weighted average number of ordinary shares of 1,759,272,312 (six months ended 30 June 2011 (restated): 1,316,442,823) deemed to be in issue during the period.

The calculation of diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Earnings:		
Earnings for the purpose of basic earnings per share	**11,785**	34,877
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax) *(note c)*	**—**	2,329
Earnings for the purpose of diluted earnings per share	**11,785**	37,206

	Six months ended 30 June	
	2012	2011
	Share(s)	*Share(s)*
		(restated)
		(note a)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,759,272,312**	1,316,442,823
Effect of dilutive potential ordinary shares:		
Share options issued by the Company *(note b)*	**—**	12,052,182
Convertible notes *(note c)*	**—**	215,683,682
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,759,272,312**	1,544,178,687

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for shares consolidation and open offer on 17 September 2011 and 24 October 2011 respectively.

notes:

a. On 24 October 2011, the Company completed an open offer at HK$0.50 per share reflecting a discount of 4.4% to the market price. Accordingly, earnings per share for all periods up to the date on which were issued (including the 2011 comparative) has been adjusted for the bonus element of the issue. The bonus element was 2 shares for every 5 shares owned. The 2011 comparative figures have been restated accordingly.

b. The computation of diluted earnings per share for the period ended 30 June 2012 does not assume the exercise of Company's outstanding share options as the subscription price of those options are higher than the average market price of Company for the period.

c. The computation of diluted earnings per share for the period ended 30 June 2012 does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share.

From continuing operations

The calculation of basic and diluted earnings per share is based on the following data.

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
		(restated)
Profit for the period attributable to owners of the Company	**11,785**	34,877
Less:		
Loss for the period from discontinued operation	**8,961**	9,585
Earnings for the purpose of basic earnings per share	**20,746**	44,462
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**2,421**	2,329
Earnings for the purpose of diluted earnings per shares	**23,167**	46,791

	Six months ended 30 June	
	2012	2011
	Share(s)	*Share(s)*
		(restated)
		(note a)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,759,272,312**	1,316,442,823
Effect of dilutive potential ordinary shares:		
Share options issued by the Company *(note b)*	**—**	12,052,182
Convertible notes	**215,683,682**	215,683,682
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,974,955,994**	1,544,178,687

From discontinued operation

For six months period ended 30 June 2012, basic loss per share for the discontinued operation was HK0.51 cents (six months ended 30 June 2011 (restated): HK0.73 cents), based on the loss for the period from the discontinued operation of approximately HK$8,961,000 (six months ended 30 June 2011: HK$9,585,000) and the weighted average number of ordinary shares detailed in continuing and discontinued operations above. Diluted loss per share was not presented because the impact of the conversion of convertible notes and the exercise of share options was anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2012 HK$'000 (unaudited)	As at 31 December 2011 HK$'000 (audited)
Trade receivables	**3,346**	20,702
Prepayments for construction work	**84,900**	46,948
Receivable on disposal of subsidiaries	—	1,682
Refundable deposit placed on acquisition of a property development project in the PRC	**3,568**	74,256
Other receivables, prepayments and other deposits *(note)*	**47,524**	101,591
	139,338	245,179

note: The prepayment as at 31 December 2011 included an amount of approximately HK$71,583,000 for the land development cost payment paid on behalf of Wuhan Zhong Nan Automobile Parts and Accessories Co. Ltd.# (武漢市中南汽車配件配套有限責任公司) (the "Target Company") to develop the land held by the Target Company. The acquisition of the Target Company is completed in May 2012, the amount is included in the inventory of properties as at 30 June 2012.

An aging analysis of trade receivables (net of allowance for bad and doubtful debts) at the end of the reporting period is as follows:

	As at 30 June 2012 HK$'000 (unaudited)	As at 31 December 2011 HK$'000 (audited)
Within 90 days	**3,089**	12,931
91 to 180 days	**257**	1,224
Over 180 days	**—**	6,547
Trade receivables	**3,346**	20,702

The Directors consider that the carrying amount of trade and other receivables approximate its fair value.

11. TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables at the end of the reporting period is as follows:

	As at 30 June 2012 *HK$'000* (unaudited)	As at 31 December 2011 *HK$'000* (audited)
Within 90 days	**75,421**	71,626
91 to 180 days	**3,978**	69,372
Over 180 days	**35,826**	9,657
Trade payables	**115,225**	150,655
Interest payables	**18,845**	18,882
Accrued expenses	**10,885**	15,202
Other tax payable	**20,028**	5,725
Other payables *(note)*	**158,184**	132,703
	323,167	323,167

Trade payables principally comprise of amounts outstanding for purchase of construction materials and construction work of properties under development.

note: The other payables included approximately HK$100,617,000 (31 December 2011: HK$87,805,000) advances from independent third parties.

The Directors consider that the carrying amount of trade and other payables approximate its fair value.

12. DEPOSIT PAID ON ACQUISITION OF A SUBSIDIARY/ACQUISITION OF A SUBSIDIARY

On 6 January 2011, Water Property Hubei Limited (水務地產湖北有限公司), a wholly owned subsidiary of the Company, entered into an agreement with Wuhan Hailuo Commercial Investment Management Co. Ltd. (武漢海螺商貿投資管理有限公司) (the "Vendor") to acquire 100% of the entire equity interest of Target Company, a PRC company principally holding a land use right in Wuhan Economic and Technological Development Zone.

Since the acquisition was completed in May 2012, the Target Company became a wholly owned subsidiary of the Company thereafter.

	31 May 2012
	HK$'000
Assets and liabilities recognised at the date of acquisition (determined on provisional basis):	
Inventory of properties	352,063
Bank balances	177
Other payables	(29,159)
Amounts due to the acquirer	(141,325)
Borrowings	(18,355)
Deferred tax liabilities	(33,770)
	129,631
Total consideration satisfied by:	
Deposit paid on acquisition of a subsidiary	123,458
Cash paid	6,173
	129,631
Net cash outflow arising on acquisition:	
Cash consideration paid	(6,173)
Bank balances acquired	177
Net cash outflow of cash and cash equivalents in respect of the acquisition	(5,996)

13. EVENT AFTER REPORTING PERIOD

On 25 July 2012, the Disposals, as described in Note 6, were completed. Since the consideration of HK$25,000,000 is subject to adjustments, the Group is not yet in a position to quantify the financial impact from the Disposals. The financial impact is expected to be finalised around October 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in property development and property investment businesses strategically focusing on prime locations in second-to-third tier cities along Yangtze River. At present, the Group's development projects primarily located in Wuhan, Hangzhou, Guangzhou and other fast-growing cities in the PRC. The Group develops a well-diversified portfolio including residential properties, shopping malls, office buildings, villa and hotels, which can provide a comprehensive and sustainable growing momentum to the Group.

Result Summary

The consolidated turnover of the Group from continuing operations decreased by 35% from HK$75.4 million (restated) for the six months ended 30 June 2011 to HK$48.8 million for the six months ended 30 June 2012. The revenues for the Current Period are from property investment business and other property-related businesses, while there was residential properties sales recorded arising from sales of the Future City in the same period in 2011. During the six months ended 30 June 2012, the consolidated turnover of the Group was attributed by HK$32.9 million and HK$15.9 million from property investment business and other property-related businesses respectively. The rental income was from the leasing of the Future City Shopping Centre which provides a steady and sustainable cash inflow to the Group since late August 2011.

The overall gross profit from continuing operations decreased by 31% to HK$23.0 million in the Current Period from HK$33.1 million (restated) in the same period in 2011, while the gross profit margin increased to 47% in the Current Period from 44% (restated) in the same period in 2011. The Group also had fair value gain arising from revaluation of investment properties of HK$77.8 million for the six months ended 30 June 2012 which represented the fair value changes of the Future City Shopping Centre as compared with that at 31 December 2011.

The Group entered into the Agreement on 24 April 2012 to dispose certain subsidiaries, machineries and inventories, which constitutes the operation of Wah Yuen Foods Business and subsequently approved by shareholders on 11 June 2012. Therefore, the result from Wah Yuen Foods Business was classified as discontinued operation. During the six months ended 30 June 2012, the result from discontinued operation reflected the loss of HK$9.0 million, decreased by 7% compared with the loss of HK$9.7 million during the six months ended 30 June 2011.

The profit attributable to owners of the Company decreased by 66% to HK$11.8 million for the six months ended 30 June 2012 from HK$34.9 million in the same period in 2011. Basic earnings per share attributable to owners of the Company during Current Period decreased to HK0.67 cents from HK2.65 cents (restated) during the six months ended 30 June 2011. The Board does not propose any interim dividend for the six months ended 30 June 2012.

Business Review

The PRC Property Development Business

During the six months ended 30 June 2012, no new projects were completed and delivered. The Group's development projects now include Future Mansion and the Wuhan Economic & Technological Development Zone ("WEDZ") Future City in Wuhan, Mei Lai International Centre and Qiandao Lake Villa in Hangzhou, Huadu Project in Guangzhou and Hohai Project in Nanjing. During the Current Period, the Group adopted a flexible approach in controlling the progress of developing projects and acquisition of new projects to mitigate the operating risks and keep the Group in a healthy and sound position.

During the Current Period, the Group completed an acquisition of 100% equity interest in a project company in WEDZ, Wuhan City, which is the third prime property project in Wuhan.

With the completion of the acquisition and current property projects development, the Group has strengthened its property development potentials in strategic locations in provincial cities along Yangtze River.

All projects are under development in accordance with their development plans.

Wuhan City, Hubei

Future City

Future City is a large-scale integrated composite development located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the upcoming stations of metro line No. 2 and 7, which are expected to be completed at the end of 2012. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University, Wuhan University of Technology and other landmarks in the neighbourhood with 1,000,000 students and residential consumers. Future City covers a total site area of 22,313 square meters with a total gross floor area ("GFA") of approximately 145,273 square meters and comprises of five high-rise residential towers, a four-story premier shopping centre and parking spaces. The project is completed stepwisely in 2010 and 2011 and the shopping centre is operated in 2011.

Future Mansion

Future Mansion is located at a prime location at Wuluo Road in Hongshan District in Wuhan City, just 600 meters from Future City project. It is near the conjunction of metro line No. 2 and 7. It has a total site area of 5,852 square meters and will be developed for a composite building of residential apartments and retail shops with a GFA of approximately 44,537 square meters. Of the total planned GFA, approximately 29,676 square meters will be residential units, approximately 11,888 square meters will be retail space and approximately 2,973 square meters will be parking spaces. The project is under construction and under pre-sale.

WEDZ Future City

WEDZ Future City is strategically situated in the prime location between the Wangjiawan business area and national level Wuhan Economic & Technological Development Zone, delineated in the western Wuhan Middle Ring Road, next to the Hanyang bus terminal and adjacent to Longyang Avenue. The project has a site area of 30,625 square meters and is atop the Longyang Station of metro line No. 3 which is currently under construction. This integrated complex will be developed for splendorous shopping mall and luxurious office apartments with planned GFA of approximately 91,872 square meters. The project is under planning.

Hangzhou City, Zhejiang

Mei Lai International Centre

Mei Lai International Centre is strategically located in Yuhang District, which is designated as part of the new Central Business Centre of Hangzhou City, delineated in the southern of intersection of Yingbin Road, Wengmei Road and Nanyuan Street. The integrated complex occupies a total site area of 16,448 square meters and is adjacent to the south station of Shanghai-Hangzhou High-speed Railway and also the terminal of Hangzhou metro line No. 1, which is expected to be completed in October 2012. The total planned GFA of approximately 116,222 square meters, the development comprises of grade-A office block with work loft setting and two high-rise premium apartment towers and a comprehensive commercial complex. The project is under construction and planned to complete during 2012–2013.

Qiandao Lake Villa

This development occupies a site area of approximately 33,493 square meters in Qiandao Lake in Hangzhou City. It is a low-density lakefront precinct with 26 detached villas featuring luxurious settings, inclusive of lift, garage, swimming pool, yards and complemented by a full-facility clubhouse. The location enjoys spectacular unobstructed lake view and conveniently accessible to Hangzhou City, Shanghai and Mount Huang by either High-speed Railway or expressway. The project will be completed in three phases, in which phase one is completed, and phases two and three are under construction.

Guangzhou City, Guangdong

Huadu Project

This will be an urban-renewal project in Huadu in Guangzhou City by transforming the Group's existing industrial factories into residential properties. The location abuts to local government office and prime administration centre of Huadu, enjoying supreme transportation network. The site occupies an area of approximately 28,478 square meters with total planned GFA of approximately 110,000 square meters. It will be developed into high-rise residential units and low-density townhouse. The Group will proceed to take part in government-organised auction process following the approval from local land bureau. The project is under planning.

Nanjing City, Jiangsu

Hohai Project

The project is located at Nangjing Gulou District No. 1 Xikang Road, next to the main campus entrance of Hohai University. As the Jiangsu province government office is situated along Xikang Road, it is the political, economic and academic centre of Nanjing. The project has a total site area of 5,030 square meters and total planned GFA of approximately 34,758 square meters with five-star hotels, international meeting areas and commercial centres.

The PRC Property Investment Business

Wuhan Future City Commercial Property Management Company* ("Commercial Company") was formed by the Group to operate the Future City Shopping Centre (the "Shopping Centre") owned by the Group, which held its grand opening in late August 2011. The Shopping Centre has total leasable area of approximately 55,362 square meters with car park included. The Shopping Centre now becomes a fashionable, dynamic and international shopping centre to cater the growing demand from the surrounding business centres and university region (more than twenty universities and tertiary education institutions including Wuhan University and Wuhan University of Technology) with 1,000,000 student and residential consumers. For the six months ended 30 June 2012, an amount of HK$32.9 million rental income was recognised in property investment business. As at 30 June 2012, the fair value of the Shopping Centre recorded HK$1,433.3 million and the occupancy rate is over 90%. The operation of the Shopping Centre provided a steady cash inflow to the Group in addition to the possible capital appreciation.

The PRC Property-Related Businesses

For the six months ended 30 June 2012, an aggregate amount of revenue of HK$15.9 million was arising from the PRC property-related businesses.

Property management business

Wuhan Future City Property Management Company* ("Property Company"), a wholly owned subsidiary of the Group, provides residents and tenants with safe, modern, comfortable and high quality property management services. The servicing areas reached 145,273 square meters.

Hotel business

Wuhan Future City Hotel Management Company* ("Hotel Company"), a wholly owned subsidiary of the Group, manages a business hotel ("Future City Hotel") with around 400 rooms, which is featured as one of the largest all suite business hotels in number of rooms in Central China. Easy access to the East Lake and universities and government authorities attracts travelers from different levels. Future City Hotel is well-equipped with function rooms and conference rooms to provide services of banquet and business conference and team of hospitality professionals was recruited to deliver personalised services to customers.

Discontinued operation — Wah Yuen Foods Business

Packaged Food and Convenience Frozen Food Products

The food product segment offers a wide variety of quality snack products in unique Asian flavours under the brand of "Wah Yuen" with over 50 years of brand building in Hong Kong and also "Rocco" and "采楓" brands in the PRC. Total revenue of food product segment for the six months period ended 30 June 2012 was HK$10.8 million which decreased by 59% from HK$26.3 million as compared with the same period in 2011. The gross profit margin decreased from 22% to 20%. A loss of HK$9.0 million was incurred during Current Period, decreased by 7% compared with the loss of HK$9.7 million in the same period in 2011. The result was classified as result from discontinued operation. The related Disposals were completed in July 2012, details of which are set out in "Event After Reporting Period".

FINANCIAL REVIEW

Turnover

Turnover of the Group for the six months ended 30 June 2012 was HK$48.8 million from HK$75.4 million (restated), a decrease of 35% compared with the same period in 2011. The decrease was mainly due to decrease in revenue from sales of residential properties, in which no property projects were completed and delivered during the period, while there was 6,471 square meters sold during the same period in 2011. Meanwhile, the decrease was offset by new income streams, the rental income from property investment business of HK$32.9 million and other property-related businesses of HK$15.9 million during the Current Period.

Cost of Sales

The cost of sales decreased from HK$42.3 million (restated) for the six months ended 30 June 2011 to HK$25.8 million for the six months ended 30 June 2012, primarily due to no new property projects were completed and delivered during Current Period. Meanwhile, the decrease was offset with the cost of new businesses of HK$3.6 million from property investment business and HK$22.2 million from property-related businesses in Current Period.

Gross Profit and Gross Profit Margin

The gross profit decreased by HK$10.1 million from HK$33.1 million (restated) for the six months ended 30 June 2011 to HK$23.0 million in the same period in 2012. The Group has a gross profit margin of 47% for the six months ended 30 June 2012, as compared with 44% (restated) in the same period in 2011. The increase in the gross profit margin was because property leasing has a higher profit margin than property sale.

Other Operating Income

Other operating income decreased by 90% to HK$0.5 million for the six months ended 30 June 2012 from HK$4.9 million (restated) in the same period in 2011. The decrease was primarily due to a decrease in exchange gain.

Change in Fair Value of the Investment Properties

There was a gain of HK$77.8 million for the six months ended 30 June 2012 arising from change in fair value of the Future City Shopping Centre.

Selling and Distribution Expenses

The selling and distribution expenses increased by 250% to HK$4.6 million for the six months ended 30 June 2012 from HK$1.3 million (restated) in the same period in 2011, primarily due to an increase in advertising and promotion expenses for the Future City Shopping Centre and hotel operation during the Current Period.

Administrative Expenses

The administrative expenses increased by 11% to HK$37.4 million for the six months ended 30 June 2012 from HK$33.6 million (restated) in the same period in 2011, primarily due to more employees hired, increased development projects and diversed operating teams during the Current Period.

Finance Costs

The finance costs increased by 174% to HK$18.1 million for the six months ended from 30 June 2012 from HK$6.6 million (restated) in the same period in 2011. As the Group completed the development of Future City, finance cost from relevant bank borrowings taken as capitalised costs decreased.

Income Tax Expenses

The income tax expenses decreased by 10% to HK$22.2 million for the six months ended 30 June 2012 from HK$24.8 million in the same period in 2011. The amount was primarily attributable to the deferred tax recognised from fair value gain in respect of investment properties and enterprise income tax incurred by property investment business.

Discontinued Operation

The result from Wah Yuen Foods Business was classified as discontinued operation. During the six months ended 30 June 2012, the result from discontinued operation reflected the loss of HK$9.0 million, decreased by 7% compared with the loss of HK$9.7 million during the six months ended 30 June 2011.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2012 decreased by 66% to HK$11.8 million from HK$34.9 million in the same period in 2011.

FINANCIAL POSITION

The Group has strengthened its financial position by a private placement of HK$30 million during Current Period. Total bank deposits and cash of the Group amounted to HK$115.3 million as at 30 June 2012. The Group's net debt was increased by HK$41.9 million to HK$434.4 million, which was made up of HK$549.7 million in debts and HK$115.3 million in bank deposits and cash. The total debts as at 30 June 2012 included short-term borrowings of HK$366.7 million, long-term borrowings of HK$117.3 million and liability component of convertible notes of HK$65.7 million. The Group's bank borrowings bear floating rate and were primarily denominated in Hong Kong dollar and Renminbi. The Renminbi borrowings were principally used to fund the Group's property development in the PRC.

The total assets of the Group increased by HK$305.9 million, or 9%, from HK$3,387.3 million as at 31 December 2011 to HK$3,693.2 million as at 30 June 2012. The Group had net current assets of HK$641.7 million, consisting of HK$1,960.5 million of current assets and HK$1,318.8 million of current liabilities. The net current assets increased by HK$143.8 million from the net current assets of HK$497.9 million as at 31 December 2011.

As at 30 June 2012, the Group's shareholders' equity increased by 4% from HK$1,512.3 million to HK$1,574.7 million and the ratio of net debt to total shareholders' equity was 28%, compared 26% as at 31 December 2011.

FUTURE PLANS AND PROSPECTS

The recovery of the global economy is still clouded by uncertainty and the austerity measures are still in place. Given the central government holds its determination tight in marco control over real estate market, the Group remains cautious about the market conditions and adopts a flexible and balanced approach in controlling the progress of projects under development to respond to the market difficulties. The Group will balance the development and growth with its resources, and keep a healthy and sound financial position.

After discontinuation of the under-performing foods business in June 2012, the Group will utilize its resources on its core property businesses to strengthen the Group's performance. The Group will continue to adhere firmly its formulated strategy focusing on property development projects in the prime second-to-third tier cities mostly along Yangtze River and deliver quality products to the customers. With a management team comprised of property development expertise, commercial property professionals and hotel management team and the strong supports from shareholders, the Group will make its effort to enhance its brand and reputation in the PRC property market, grasp market opportunities and mitigate operating risks in the future. The Group is confident and positive about bringing superior values to shareholders with its business strategies and competitive edges.

EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE AND INTEREST RATE

The Group principally operates the property development business in the PRC and most of the transactions are settled in Renminbi. The conversion of Renminbi into foreign currencies or Hong Kong dollars is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The usual treasury policy of the Group is to manage significant currency exposure and minimise currency risk whenever it may have material impact on the Group. The Group did not engage in hedging activities designed or intended to manage currency risk during the six months ended 30 June 2012.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 30 June 2012. The Group undertook primarily debt obligations to support its property development and general working capital needs. The fluctuations in interest rates affect the cost of financing and may lead to fluctuations in the fair value of the debt obligations of the Group. The results of the Group are also affected by changes in interest rates due to the impact such changes have on interest income from the bank deposits.

PLEDGE OF ASSETS

As at 30 June 2012, certain land and buildings together with relevant land use rights situated in the PRC with an aggregate carrying amount of approximately HK$1,839.4 million were pledged as security for certain banking facilities granted to the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2012, the Group had capital commitments in connection with the property development activities amounted to HK$96 million, primarily related to construction costs on projects under development and expenditures related to future property developments and investments.

EVENT AFTER REPORTING PERIOD

On 25 July 2012, the Disposals, as described in Note 6 to the condense consolidated financial statements, were completed. Since the consideration of HK$25,000,000 is subject to adjustments, the Group is not yet in a position to quantify the financial impact from the Disposals. The financial impact is expected to be finalised around October 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the total number of employees stood at approximately 520. Total staff costs for the period under review were approximately HK$21.1 million. The Group offers its workforce comprehensive remuneration and employees' benefits packages.

INTERIM DIVIDEND

The Board resolved that the Company would not declare the payment of an interim dividend for the six months ended 30 June 2012.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's ordinary shares.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2012.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2012, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("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:

(1) Code Provision A.6.7

Following the CG Amendments, code provision A.6.7 of the CG Code came into force on 1 April 2012, which stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, two non-executive Directors (including independent non-executive Directors) could not attend the extraordinary general meeting of the Company held on 11 June 2012 and/or the annual general meeting of the Company held on 26 June 2012 ("AGM"). However, at the respective general meeting of the Company, there were executive Directors and a non-executive Director and/or two independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company ("Shareholders").

(2) Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Due to another business engagement, Mr. Duan Chuan Liang, the Chairman of the Board, was unable to attend the AGM. However, Ms. Wang Wenxia, the Vice Chairman and executive Director of the Company, took the chair of that meeting, one non-executive Director and independent non-executive Directors, being the delegate of the Audit, Remuneration and Nomination Committees were present thereat to be available to answer any question to ensure effective communication with the Shareholders.

Except as stated above, the Company has continued to comply with the applicable code provisions of the CG Code.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls. The audit committee currently comprises Mr. Wong Chi Ming, Mr. Chan Pok Hiu and Mr. Wang Jian, who are the independent non-executive directors of the Company.

The audit committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2012.

By order of the Board
China Water Property Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 28 August 2012

\# *The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

* *For identification purposes only.*

As at the date of this announcement, the Board comprises Ms. Wang Wenxia (Vice Chairman and Chief Executive Officer) and Mr. Ren Qian as executive Directors, Mr. Duan Chuan Liang (Chairman) and Mr. Zhou Kun as non-executive Directors and Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian as independent non-executive Directors.