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 2013

KEY FINANCIAL HIGHLIGHTS

- Turnover was approximately HK$156.2 million, increased by 220% compared with approximately HK$48.8 million in corresponding period in 2012.
- The investment properties contributed the fair value gain of approximately HK$23.5 million.
- Total assets of the Group were approximately HK$4,442.1 million as at 30 June 2013.
- Total equity attributable to owners of the Company was approximately HK$1,599.6 million as at 30 June 2013.

INTERIM RESULT

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 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Continuing operations			
Turnover	3	**156,190**	48,825
Cost of sales		**(119,468)**	(25,839)
Gross profit		**36,722**	22,986
Fair value gain in respect of investment properties revaluation		**23,497**	77,778
Other operating income		**741**	506
Selling and distribution expenses		**(2,351)**	(4,610)
Administrative expenses		**(70,791)**	(37,358)
Finance costs	4	**(11,446)**	(18,102)
(Loss) profit before tax		**(23,628)**	41,200
Income tax expense	5	**(24,024)**	(22,161)
(Loss) profit for the period from continuing operations	7	**(47,652)**	19,039
Discontinued operation			
Loss for the period from discontinued operation	6	**–**	(8,961)
(Loss) profit for the period		**(47,652)**	10,078

	Note	Six months ended 30 June **2013** *HK$'000* **(unaudited)**	2012 *HK$'000* (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company			
(Loss) profit for the period from continuing operations		**(66,164)**	20,746
Loss for the period from discontinued operation		**–**	(8,961)
(Loss) profit for the period attributable to owners of the Company		**(66,164)**	11,785
Profit (loss) for the period attributable to non-controlling interests		**18,512**	(1,707)
(Loss) profit for the period		**(47,652)**	10,078
		HK Cents	*HK Cents*
(Loss) earnings per share	9		
From continuing and discontinued operations			
— Basic		**(3.64)**	0.67
— Diluted		**(3.64)**	0.67
From continuing operations			
— Basic		**(3.64)**	1.18
— Diluted		**(3.64)**	1.17

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period	**(47,652)**	10,078
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**13,883**	14,667
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	**13,883**	20,614
Total comprehensive (expense) income for the period (net of tax)	**(33,769)**	30,692
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(52,281)**	32,399
Non-controlling interests	**18,512**	(1,707)
	(33,769)	30,692

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
ASSETS			
Non-current Assets			
Property, plant and equipment		**63,591**	69,964
Investment properties		**2,225,000**	2,079,012
Goodwill		**174,605**	174,605
Prepayment for acquisition of an intangible asset		**32,979**	22,724
Prepayment for acquisition of an available-for-sale investment		**12,500**	–
		2,508,675	2,346,305
Current Assets			
Inventories		**858**	938
Inventory of properties		**1,502,016**	1,456,297
Trade and other receivables	*10*	**250,716**	148,614
Prepaid tax		**261**	257
Pledged bank deposits		**71,620**	51,953
Bank balances and cash		**107,942**	124,986
		1,933,413	1,783,045
TOTAL ASSETS		**4,442,088**	4,129,350
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**185,872**	180,872
Reserves		**1,413,725**	1,418,157
Equity attributable to owners of the Company		**1,599,597**	1,599,029
Non-controlling interests		**187,828**	169,316
TOTAL EQUITY		**1,787,425**	1,768,345

	Note	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Non-current Liabilities			
Deferred tax liabilities		**397,716**	388,708
Borrowings — due after one year		**675,000**	466,049
Convertible notes		**68,225**	66,932
Deposits received for sale and lease of properties — non-current portion		**107,139**	113,578
Deferred income — non-current portion		**9,503**	11,665
		1,257,583	1,046,932
Current Liabilities			
Trade and other payables	*11*	**561,088**	523,488
Deposits received for sale and lease of properties — current portion		**158,452**	220,139
Tax payable		**27,386**	27,212
Amounts due to non-controlling shareholders of subsidiaries		**–**	10,354
Amounts due to related parties		**189,064**	162,766
Borrowings — due within one year		**456,950**	364,354
Deferred income — current portion		**4,140**	5,760
		1,397,080	1,314,073
TOTAL LIABILITIES		**2,654,663**	2,361,005
TOTAL EQUITY AND LIABILITIES		**4,442,088**	4,129,350
NET CURRENT ASSETS		**536,333**	468,972
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,045,008**	2,815,277

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 2013 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012, except as described in Note 2 below.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively, to as the "Group") are property investment, property development, hotel business and property management in the PRC. The Group was also engaged in production and distribution of snack food, convenient frozen food and other food products which was discontinued in 2012 (Details are set out in Note 6).

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

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle;
Amendments to HKFRS 7 Disclosures	Offsetting Financial Assets and Financial Liabilities;
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
HKFRS 10	Consolidated Financial Statements;
HKFRS 11	Joint Arrangements;
HKFRS 12	Disclosure of Interests in Other Entities;
HKFRS 13	Fair Value Measurement;
HKAS 19 (as revised in 2011)	Employee Benefits;
HKAS 27 (as revised in 2011)	Separate Financial Statements;
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income; and
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine.

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 and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[1]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial instruments[2]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-financial Assets[1]
HKAS 39 (Amendments)	Financial instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

Saved as disclosed in the annual report for the year ended 31 December 2012, the directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and 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 consolidated 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 PRC
— Property Development Business Segment engages in development of property projects in the PRC
— Hotel Business Segment engages in operating hotels in the PRC
— Property Management Business Segment engages in provision of property management services in the PRC

The Group involved in production and distribution of snack food, convenient frozen food and other food product (the "discontinued operation") during the period ended 30 June 2012. This operation was discontinued with effect from 11 June 2012. The segment information reported does not include any amounts for 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 from continuing operations by reportable segments.

For the six months ended 30 June 2013
Continuing operations

	Property Investment Business *HK$'000* (unaudited)	Property Development Business *HK$'000* (unaudited)	Hotel Business *HK$'000* (unaudited)	Property Management Business *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
TOTAL REVENUE AND EXTERNAL SALES	18,446	114,565	19,545	3,634	156,190
RESULT					
Segment operating results	10,594	(3,515)	(5,386)	459	2,152
Fair value gain in respect of investment properties revaluation	23,497	–	–	–	23,497
Unallocated corporate income					–
Unallocated corporate expense					(37,831)
Loss from operations					(12,182)
Finance costs					(11,446)
Loss before tax					(23,628)
Income tax expense					(24,024)
Loss for the period					(47,652)

For the six months ended 30 June 2012
Continuing operations

	Property Investment Business *HK$'000* (unaudited)	Property Development Business *HK$'000* (unaudited)	Hotel Business *HK$'000* (unaudited)	Property Management Business *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
TOTAL REVENUE AND EXTERNAL SALES	32,874	–	13,815	2,136	48,825
RESULT					
Segment operating results	23,203	(15,629)	(9,123)	(558)	(2,107)
Fair value gain in respect of investment properties revaluation	77,778	–	–	–	77,778
Unallocated corporate income					85
Unallocated corporate expense					(16,454)
Profit from operations					59,302
Finance costs					(18,102)
Profit before tax					41,200
Income tax expense					(22,161)
Profit for the period					19,039

4. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Interest expenses on bank loans and other borrowings wholly repayable within five years	**51,131**	26,714
Effective interest expense on convertible notes	**2,506**	2,421
	53,637	29,135
Less: amounts capitalised in the cost of qualifying assets	**(42,191)**	(11,033)
	11,446	18,102

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**3,486**	2,717
PRC Land Appreciation Tax ("LAT")	**14,664**	–
Current tax charge for the period	**18,150**	2,717
Deferred tax charge for the period	**5,874**	19,444
	24,024	22,161

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 the applicable 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

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 were principally engaged in the distribution of food products, and disposed of machineries and inventories of certain subsidiaries of the Company, which were related to the production of food products and were mainly related to the business of the Sale Companies (collectively refer to as "Disposal Group"), to Auto Success Limited, a connected person of the Company under Chapter 14A of the Listing Rules at a consideration of HK$25,000,000, subject to adjustments. (the "Disposals").

The Disposals were completed on 25 July 2012, on which the control of Sale Companies were passed to Auto Success Limited and the adjusted consideration was HK$16,336,000.

	Six months ended 30 June 2012 *HK$'000* (unaudited)
Turnover	10,786
Cost of sales	(8,666)
Gross profit	2,120
Selling, distribution and administrative expenses	(10,744)
Other operating income	25
Finance costs	(336)
Loss before tax from discontinued operation	(8,935)
Income tax expense	(26)
Loss for the period from discontinued operation	(8,961)
Loss for the period from discontinued operation has been arrived at after charging:	
Depreciation of property, plant and equipment	2,869
Amortisation of prepaid lease payments	97

7. (LOSS) PROFIT FOR THE PERIOD

Continuing operations

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation and amortisation	**6,603**	5,753
Operating lease rental expense in respect of rented premises	**13,273**	13,396
Gross rental income from investment properties	**(18,446)**	(32,874)
Less: Direct operating expenses from investment properties that generate rental income including the period	**4,865**	2,841
	(13,581)	(30,033)

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share owners of the Company is based on the loss attributable to owners of the Company of approximately HK$66,164,000 (profit attributable to owners of the Company for six months ended 30 June 2012: approximately HK$11,785,000) and the weighted average number of ordinary shares of 1,815,628,938 (six months ended 30 June 2012: 1,759,272,312) deemed to be in issue during the period.

Diluted (loss) earnings per share was not presented for both periods because the impact of the conversion of convertible notes and the exercise of share options was anti-dilutive.

From continuing operations

The calculation of basis and diluted (loss) earnings per share is based on the following data.

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period attributable to owners of the Company	**(66,164)**	11,785
Less:		
Loss for the period from discontinued operation	**–**	8,961
(Loss) earnings for the purpose of basic (loss) earnings per share	**(66,164)**	20,746
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax) *(note)*	**–**	2,421
Earnings for the purpose of diluted (loss) earnings per shares	**(66,164)**	23,167

	Six months ended 30 June	
	2013	2012
	Share(s)	Share(s)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,815,628,938**	1,759,272,312
Effect of dilutive potential ordinary shares:		
Convertible notes *(note)*	**–**	215,683,682
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,815,628,938**	1,974,955,994

note: The computation of diluted loss per share for the period ended 30 June 2013 do not assume the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share.

From discontinued operation

Since the discontinued operation was discontinued during 2012, no results from discontinued operation were included during the period ended 30 June 2013.

For six months ended 30 June 2012, basic loss per share for the discontinued operation was HK0.51 cents, based on the loss for the period from the discontinued operation of approximately HK$8,961,000 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 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**13,182**	7,676
Prepayments for construction work	**176,284**	103,841
Receivable on disposal of subsidiaries	**879**	2,731
Refundable deposit placed on acquisition of a property development project in the PRC	**8,000**	–
Other receivables, prepayments and other deposits	**52,371**	34,366
	250,716	148,614

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

	As at 30 June 2013 *HK$'000* **(unaudited)**	As at 31 December 2012 *HK$'000* (audited)
Within 90 days	**13,182**	7,196
91 to 180 days	**–**	229
Over 180 days	**–**	251
	13,182	7,676

The Directors consider that the carrying amount of trade and other receivables approximate to their 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 based on invoice date is as follows:

	As at 30 June 2013 *HK$'000* **(unaudited)**	As at 31 December 2012 *HK$'000* (audited)
Within 90 days	**178,013**	179,664
91 to 180 days	**662**	70
Over 180 days	**23,117**	25,944
Trade payables	**201,792**	205,678
Interest payables	**43,711**	19,136
Accrued expenses	**20,204**	19,674
Other tax payable	**7,172**	27,340
Properties under redevelopment consideration payable	**88,125**	69,259
Other payables	**200,084**	182,401
	561,088	523,488

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

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

12. ACQUISITION OF A SUBSIDIARY

On 6 January 2011, Water Property Group Hubei Limited* (水務地產湖北集團有限公司), 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) to acquire 100% of the entire equity interest of Wuhan Zhong Nan Automobile Parts and Assessories Co. Ltd. (武漢市中南汽車配件配套有限公司) (the "Target Company"), a PRC company principally holding a land use right in Wuhan Economic and Technological Development Zone. Deposit in the sum of HK$121,951,000 was paid on entering into the acquisition agreement.

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

	31 May 2012
	HK$'000
The fair values of the identified assets and liabilities of the Target Company recognised at the date of acquisition are as follows:	
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)
Total identifiable net assets at fair value	129,631
Total consideration satisfied by:	
Deposit paid on acquisition of a subsidiary	121,951
Exchange difference	1,507
Cash paid on acquisition of a subsidiary	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. EVENTS AFTER THE REPORTING PERIOD

(1) On 22 July 2013, a joint venture agreement (the "JV Agreement") was entered into between Shenzhen Zhongshui Property Company Limited* (深圳中水置業有限公司) ("Zhongshui Property"), an indirect wholly owned subsidiary of the Company, and Beijing Huangcheng Club & Culture Company Limited* (北京皇城會所文化有限公司) (the "Huangcheng Club", in which Zhongshui Property is interested in 10% of the registered and paid up capital of Huangcheng Club), pursuant to which the Joint Venture Company will be established in Beijing, the PRC. The purpose of establishing the Joint Venture Company is to develop and operate the land parcel B14 in Qianmen Avenue, Beijing (the "Land") and the Premises. The Joint Venture Company will be owned beneficially as to 70% by Zhongshui Property and as to 30% by Huangcheng Club.

Pursuant to the terms of the JV Agreement, the registered capital of the Joint Venture Company will be HK$125,000,000 (equivalent to approximately RMB100,000,000), in which HK$87,500,000 (equivalent to approximately RMB70,000,000) will be contributed by Zhongshui Property by way of cash and the balance will be contributed by Huangcheng Club by way of cash. Under the JV Agreement, Zhongshui Property will contribute not more than HK$262,500,000 (equivalent to approximately RMB210,000,000) (including Zhongshui Property's contribution to the registered capital in the Joint Venture Company in the sum of HK$87,500,000 (equivalent to approximately RMB70,000,000) as mentioned above) out of the Group's internal resources.

Up to the date of the announcement, the application in formation of the JV Company is in progress. At the date of the announcement, neither party has made any contribution to the Joint Venture Company.

(2) On 22 July 2013, the Lease Agreement was entered into among Huangcheng Club, Zhongshui Property (collectively referred as the "Joint Venture Parties") and Beijing Qianmen Tianshi Property Development Company Limited* (北京前門天市置業發展有限公司) (the "Landlord"), pursuant to which the Landlord agrees to lease the Land and part of the Premises and contract the Joint Venture Parties to construct for a term of 20 years (with conditional extension term of 20 years) at a total rent and constructions costs of HK$625,000,000 (equivalent to approximately RMB500,000,000).

Up to the date of the announcement, an amount of non-refundable deposit of HK$62,500,000 equivalent to approximately RMB50,000,000 was paid to the landlord as prepaid rent and constructions costs.

** For identification purposes only.*

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The PRC Property Development Business

There is a significant increase in revenue in Current Period compared with same period in 2012 because Future Mansion in Wuhan was completed and delivered contributing the sales since second half year in 2012. The Group's development projects now include Zhongshui • Longyang Plaza (previously known as "Wuhan Economic & Technological Development Zone Future City", "WEDZ Future City") in Wuhan, Mei Lai International Centre and Qiandao Lake Villa in Hangzhou. To respond the uncertainties in the PRC property market, the Group keeps its adopted flexible and balanced approach in controlling the progress of developing projects and acquisition of new projects to mitigate the operating risks and keeps the Group in a healthy and sound position.

During the six months ended 30 June 2013, the Group recorded gross floor area ("GFA") of 9,962 square meters sold with an average selling price of HK$11,500 per square meter. Future Mansion recorded property sales of approximately HK$108.8 million, representing GFA of 9,485 square meter sold, while the remaining 477 square meters sold were from Future City in Wuhan contributing approximately HK$5.8 million property sales.

On 22 July 2013, a lease agreement was entered into among Beijing Huangcheng Club & Culture Company Limited* (北京皇城會所文化有限公司) and Shenzhen Zhongshui Property Company Limited* (深圳中水置業有限公司) (a wholly own subsidiary of the Group) and Beijing Qianmen Tianshi Property Development Company Limited* (北京前門天市置業發展有限公司) (the "Landlord"), pursuant to which the Landlord agrees to lease to the Group the Qianmen Avenue land parcel B14 (the "Land"), Beijing, the PRC, mainly for the use of as a theme hotel and culture club and related property businesses. As the Land is located at the core area of central Beijing City, which is a Beijing traditional commercial street near Tiananmen Square and Dashilar Street, the lease will enhance the Group's property portfolio and generate a stable income stream for the Group. It offers the Group a good opportunity to expand its business in central district of Beijing.

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

* *For identification purposes only.*

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, in which line No. 2 was completed and in use in late 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 was built at an area of land of 19,191 square meters with a total 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, in which line No. 2 was completed and in use in late 2012. It has a total land site of 5,852 square meters and been developed for a composite building of residential apartments and retail shops with GFA of approximately 45,381 square meters. The project is completed and under sale in 2012.

Zhongshui • Longyang Plaza (Previously known as "WEDZ Future City")

Zhongshui • Longyang Plaza 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 land site 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 construction.

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 land site 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 already in use in late 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 in late 2013/early 2014.

Qiandao Lake Villa

This development occupies a land site of approximately 44,016 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, 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 land site occupies an area of approximately 28,183 square meters with total planned GFA of approximately 110,000 square meters with underground included. It could be developed into high-rise residential units and low-density townhouse. The project is undetermined, subject to government-organised auction process and the market conditions.

Nanjing, 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 land site of 5,030 square meters and total planned GFA of approximately 34,759 square meters with five-star hotels, international meeting areas and commercial centres.

Beijing, Hebei

Qianmen Project

The project is situated at Qianmen Avenue land parcel B14 (the "Land"), Beijing, the PRC with a land site of 10,487 square meters. The Land is located at the core area of central Beijing City, which is a Beijing traditional commercial street near Tiananmen Square and Dashilar Street. Upon the completion of the premises, its GFA will be approximately 38,876 square meters and comprise of 1 storey and 3 levels below ground, mainly for the use of as a theme hotel and culture club and related property businesses (subject to government approval).

The PRC Property Investment Business

In Wuhan, Wuhan Future City Commercial Property Management Company* (武漢未來城商業物業管理有限公司) ("Commercial Company") was formed by the Group to operate the Future City Shopping Centre ("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 students and residential consumers.

During the Current Period, a tenancy-mix optimisation project was initiated in order to further improve the earning efficiency of the Shopping Centre. A decrease in rental income and occupancy rate was noted during the project was carried out. During the period ended 30 June 2013, the rental income arising from the Shopping Centre was approximately HK$18.4 million and the average occupancy rate is around 62%. As at 30 June 2013, the fair value of the Shopping Centre recorded HK$1,360.0 million.

In Hangzhou, Hangzhou Mei Lai Commercial Property Management Company* (杭州美萊商業企業管理有限公司) was formed by the Group to prepare the operation of the commercial part of Mei Lai International Centre in Yuhang district of Hangzhou. This commercial part is expected to hold its grand opening late 2013 to early 2014. The commercial part has approximately 58,310 square meters with car park included. Mei Lai International Centre is located in new Central Business District in Yuhang district of Hangzhou and adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou metro line No. 1, which is already in use in late 2012, it is expected Mei Lai International Centre can meet the increasing needs from residential and office customers nearby. As at 30 June 2013, the fair value of the commercial part of Mei Lai International Centre recorded HK$571.3 million.

In Guangzhou, upon the foods business discontinued by the Group in mid-2012, the industrial land there was held as investment properties under redevelopment. As at 30 June 2013, the fair value of the land recorded HK$293.8 million. Applications for land use right of the investment properties under re-development in the PRC are still in the progress at 30 June 2013. In spite of the above, the Directors of the Company are of the opinion that the Group has acquired the beneficial interest of those properties and legal titles document will be obtained after certain procedures set out by relevant authorities, while the Group will consider the possible resolution to maximise the shareholders' value.

The PRC Hotel Business

Wuhan Future City Hotel Management Company* (武漢未來城大酒店管理有限公司) ("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.

In June 2013, Future City Hotel won an award of "Top 10 Most Welcome Boutique Business Hotel 2013"* presented by the China Travel and Hotel Management Association (the "CTHMA"). The award was by poll from PRC residents in national wide and the professional judges from the CTHMA. At the same time, Future City Hotel was also qualified as vice president unit of CTHMA. The award and qualification was a significant recognition of Future City Hotel by both Chinese public as well as hotel professionals.

During the Current Period, Hong Kong Walter Hotel Management Group Limited, set up and wholly owned by the Group, aims to strategically manage and operate the PRC hotel business, leverage its strength and resources in hospitality services to provide professional services to customers.

During the period ended 30 June 2013, the revenue arising from Future City Hotel was approximately HK$19.5 million and the average occupancy rate is around 80%.

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 190,654 square meters.

During the period ended 30 June 2013, the revenue from property management was approximately HK$3.6 million.

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.

Given the consistent efforts to return the foods business to profitability in vain, the Group had taken place the restructuring to discontinue the foods business during 2012. The related disposal was completed in July 2012 and therefore its operating result has been classified as discontinued operation for current and prior years. The result from discontinued operation reflected the net loss of approximately HK$9.0 million, were charged to the profit of loss as a loss for the period in 2012 from discontinued operation. No result was included in Current Period.

** For identification purposes only.*

Financial Review

Turnover

Turnover of the Group for the six months ended 30 June 2013 was approximately HK$156.2 million from approximately HK$48.8 million, an increase of 220% compared with same period in 2012. The increase was mainly due to an increase in revenue from sales of residential properties, in which the total GFA recognised during the Current Period was 9,962 square meters, while there was no GFA recognised in same period in 2012.

The revenue from property leasing decreased from approximately HK$32.9 million in 2012 to approximately HK$18.4 million in 2013, while the revenue from hotel business and property management business increased from approximately HK$13.8 million in 2012 to HK$19.5 million in 2013 and from HK$2.1 million in 2012 to approximately HK$3.6 million in 2013 respectively.

Cost of Sales

The cost of sales increased from approximately HK$25.8 million for the six months ended 30 June 2012 to approximately HK$119.5 million for the six months ended 30 June 2013, primarily due to the increase in total GFA recognised in Current Period, where the cost of properties sold including development costs, land costs and borrowing costs.

During the Current Period, the cost of sales was also attributable by property investment business of approximately HK$4.9 million, an increase of approximately HK$1.3 million compared with that in 2012, and by hotel business and property management business of approximately HK$21.2 million and approximately HK$2.3 million respectively, and increase of approximately HK$0.8 million and approximately HK$0.5 million compared with those in 2012 respectively.

Gross Profit and Gross Profit Margin

The gross profit increased by approximately HK$13.7 million from approximately HK$23.0 million for the six months ended 30 June 2012 to approximately HK$36.7 million in same period in 2013. The Group has a gross profit margin of 24% for the six months ended 30 June 2013, as compared with 47% for the same period in 2012. The decrease in the gross profit margin was because property sales' profit margin is lower than property leasing business, where property sales contributed 73% of Group's turnover in Current Period (six months ended 30 June 2012: 0%).

Other Operating Income

Other operating income increased by 46% to approximately HK$0.74 million for the six months ended 30 June 2013 from approximately HK$0.51 million in same period in 2012. This increase was primarily due to an increase in bank interest income.

Change in Fair Value of the Investment Properties

There was a net gain of approximately HK$23.5 million for the six months ended 30 June 2013 arising from change in fair value of the investment property portfolio in the PRC held by the Group.

Selling and Distribution Expenses

The selling and distribution expenses decreased by 49% to approximately HK$2.4 million for the six months ended 30 June 2013 from approximately HK$4.6 million for the same period in 2012, primarily due to less expense of advertising and promotion for Future City Shopping Centre and Future City Hotel during the Current Period after their grand opening in late 2011/ early 2012.

Administrative Expenses

The administrative expenses increased by 89% to approximately HK$70.8 million for the six months ended 30 June 2013 from approximately HK$37.4 million for the same period in 2012, primarily due to one-off share-based payment, one-off directors' bonus, increased development projects and diversed operating teams in the Current Period compared with the same period in 2012.

Finance Costs

The finance costs decreased by 37% to approximately HK$11.4 million for the six months ended 30 June 2013 from approximately HK$18.1 million for the same period in 2012. As the Group raised more bank borrowings specific for the development projects, finance cost from relevant bank borrowings taken as capitalised costs increased.

Income Tax Expense

The income tax increased by 8% to approximately HK$24.0 million for the six months ended 30 June 2013 from approximately HK$22.2 million for the same period in 2012. The amount was primarily attributable to the deferred tax recognised from fair value gain in respect of investment properties revaluation and enterprise income tax and land appreciation tax arising from properties sold during Current Period.

Discontinued Operation

The result from Wah Yuen foods business was classified as discontinued operation. For the period ended 30 June 2012, the result from discontinued operation reflected the net loss of approximately HK$9.0 million. No result was included in Current Period.

Loss/profit Attributable to Owners of the Company

The loss attributable to the owners of the Company for the six months ended 30 June 2013 recorded approximately HK$66.2 million while a profit of approximately HK$11.8 million was recorded for the same period in 2012.

Financial Position

The Group has strengthened its financial position by shares placement to raise about approximately HK$33 million during Current Period.

Total bank deposits and cash of the Group amounted to approximately HK$179.6 million as at 30 June 2013. The Group's net debt was increased by approximately HK$300.2 million to approximately HK$1,020.6 million, which was made up of approximately HK$1,200.2 million in debts and approximately HK$179.6 million in bank deposits and cash. The total debts as at 30 June 2013 included short-term borrowings of approximately HK$457.0 million, long-term borrowings of approximately HK$675.0 million and liability component of convertible notes of approximately HK$68.2 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 approximately HK$312.7 million, or 8%, from approximately HK$4,129.4 million as at 31 December 2012 to approximately HK$4,442.1 million as at 30 June 2013. The Group had net current assets of approximately HK$536.3 million, consisting of approximately HK$1,933.4 million of current assets and approximately HK$1,397.1 million of current liabilities. The net current assets increased by approximately HK$67.3 million from the net current assets of approximately HK$469.0 million as at 31 December 2012.

As at 30 June 2013, the Group's shareholders' equity increased by approximately HK$0.6 million from approximately HK$1,599.0 million to approximately HK$1,599.6 million and the ratio of net debt to total shareholders' equity was 64%, compared 45% as at 31 December 2012.

Future Plans and Prospects

The recovery of global economy remains slow and uncertain. Domestically, Central Government is cautious about its monetary policy in order to maintain stable development of Chinese economy, to keep domestic market demand and to accelerate urbanisation, while moving ahead with structural reform. The administrative policy and real estate control measures in PRC property market is expected to remain for a period of time. The Group is positive in the PRC property market. Having a diverse portfolio of properties including residential properties, shopping malls, office buildings, villas and hotels, the Group has a strong foundation to mitigate operating risks in challenging environment while is able grasp market opportunities.

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 is confident and positive about bringing superior values to shareholders with its business strategies and competitive edges and to enhance its brand and reputation in the PRC property market. The Group will balance the development and growth with its resources, and keep a healthy and sound financial position.

EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE AND INTEREST RATE

The Group principally operates the property investment, property development, hotel business and property management 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 2013.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 30 June 2013. 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 2013, certain bank deposits, certain land and buildings together with relevant land use rights and certain investment properties with an aggregate carrying amount of approximately HK$2,726.4 million were pledged as security for certain banking facilities granted to the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2013, the Group had provided guarantees to banks for loans of approximately HK$147 million (31 December 2012: Nil) in respect of the mortgage loans provided by the banks to purchasers of the properties the Group developed and sold. The guarantees are issued from the dates of grant of the relevant mortgage loans and released upon issuance of property ownership certificates.

The Group had capital commitments in connection with the property development activities amounted to approximately HK$344.3 million, primarily related to construction costs on projects under development and expenditures related to future property developments and investments.

The Group had capital commitments in respect of its prepayment of acquisition of an intangible asset, authorised but not contracted in the consolidated financial statements, amounting to not more than approximately HK$241.2 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the total number of employees stood at approximately 404. Total staff costs (including the share-based payment) for the period under review were approximately HK$46.5 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 2013 (six months ended 30 June 2012: Nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2013, 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 2013.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

During the six months ended 30 June 2013, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") (previously known as Code on Corporate Governance Practices) as set out Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provision A.4.2

Under this 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 articles of association, 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 (the "Chairman") 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 should not be subject to retirement by rotation.

(2) Code Provision A.6.7

Under this 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, certain non-executive Directors and one independent non-executive Director could not attend the extraordinary general meeting of the Company held on 27 May 2013 (the "EGM") and the annual general meeting of the Company held on 18 June 2013 (the "AGM"). However, at the respective general meetings of the Company, there were one executive Director and at least two independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company (the "Shareholders").

(3) 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, was unable to attend the EGM and the AGM. However, Ms. Wang Wenxia, the Vice Chairman and executive Director of the Company, took the chair of that meetings, 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. Chan Pok Hiu, Mr. Wong Chi Ming 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 2013.

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

Hong Kong, 27 August 2013

* *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.*

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.