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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 2014**

KEY FINANCIAL HIGHLIGHTS

- Turnover was approximately HK\$175.6 million, increased by 12% compared with approximately HK\$156.2 million in corresponding period in 2013.
- The Group's gross profit margin for the period was 41.2%.
- The investment properties contributed the fair value gain of approximately HK\$48.0 million.
- Profit for the period of the Group was approximately HK\$11.6 million, while the Group recorded a loss of HK\$47.7 million in the corresponding period in 2013.
- Total assets of the Group were approximately HK\$5,477.1 million as at 30 June 2014.
- In May 2014, the Group successfully issued additional senior notes in amount of HK\$250.0 million at an interest rate of 12.5% due 2016.

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 2014 (the “Current Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Turnover	3	175,572	156,190
Cost of sales		<u>(103,314)</u>	<u>(119,468)</u>
Gross profit		72,258	36,722
Fair value gain in respect of investment properties revaluation		48,027	23,497
Other operating (expenses) income		(6,853)	741
Selling and distribution expenses		(1,167)	(2,351)
Administrative expenses		(48,108)	(70,791)
Finance costs	4	<u>(23,453)</u>	<u>(11,446)</u>
Profit (loss) before tax		40,704	(23,628)
Income tax expense	5	<u>(29,109)</u>	<u>(24,024)</u>
Profit (loss) for the period	6	<u>11,595</u>	<u>(47,652)</u>
Profit (loss) for the period attributable to:			
Loss for the period attributable to owners of the Company		(27,752)	(66,164)
Profit for the period attributable to non-controlling interests		<u>39,347</u>	<u>18,512</u>
Profit (loss) for the period		<u>11,595</u>	<u>(47,652)</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Loss per share	8		
— Basic		<u>(1.49)</u>	<u>(3.64)</u>
— Diluted		<u>(1.49)</u>	<u>(3.64)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit (loss) for the period	11,595	(47,652)
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	<u>841</u>	<u>13,883</u>
Total comprehensive income (expense) for the period (net of tax)	<u>12,436</u>	<u>(33,769)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	(26,911)	(52,281)
Non-controlling interests	<u>39,347</u>	<u>18,512</u>
	<u>12,436</u>	<u>(33,769)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	<i>Note</i>	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
ASSETS			
Non-current Assets			
Prepaid lease payments		30,854	40,348
Property, plant and equipment		50,742	56,984
Investment properties		2,130,380	2,081,013
Goodwill		174,605	174,605
Prepayment for acquisition of an intangible asset		86,317	56,051
Available-for-sale investment		12,658	12,658
		2,485,556	2,421,659
Current Assets			
Inventories		1,065	858
Inventory of properties		1,943,142	1,711,400
Trade and other receivables	9	414,231	496,912
Prepaid tax		–	264
Prepaid lease payments		18,988	18,988
Bank balances and cash		437,554	322,222
Pledged bank deposits		176,588	176,588
		2,991,568	2,727,232
TOTAL ASSETS		5,477,124	5,148,891
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		185,872	185,872
Reserves		1,554,219	1,581,130
Equity attributable to owners of the Company		1,740,091	1,767,002
Non-controlling interests		273,156	233,809
TOTAL EQUITY		2,013,247	2,000,811

	30 June 2014	31 December 2013
<i>Note</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current Liabilities		
Deferred tax liabilities	374,652	362,645
Borrowings — due after one year	709,070	604,060
Convertible notes	71,285	69,596
Senior notes	573,639	330,027
Deposits received for sale and lease of properties — non-current portion	—	39,211
Deferred income — non-current portion	—	2,929
	<u>1,728,646</u>	<u>1,408,468</u>
Current Liabilities		
Trade and other payables	10 531,126	670,263
Deposits received for sale and lease of properties — current portion	104,499	134,601
Tax payable	130,442	114,948
Amounts due to non-controlling shareholders of subsidiaries	—	2,818
Amounts due to related parties	300,271	254,526
Borrowings — due within one year	667,098	561,139
Deferred income — current portion	1,795	1,317
	<u>1,735,231</u>	<u>1,739,612</u>
TOTAL LIABILITIES	<u>3,463,877</u>	<u>3,148,080</u>
TOTAL EQUITY AND LIABILITIES	<u>5,477,124</u>	<u>5,148,891</u>
NET CURRENT ASSETS	<u>1,256,337</u>	<u>987,620</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,741,893</u>	<u>3,409,279</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2013, 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 development, property investment, hotel business and property management in the People’s Republic of China (the “PRC”).

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:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

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.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 cycle ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 cycle ¹
HKFRS 9	Financial Instruments ³
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures ³
HKFRS 14	Regulatory Deferral Accounts ²
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Benefit Contributions ¹

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Available for application — the mandatory effective date will be determined when the outstanding phase of HKFRS 9 are finalised

Save as disclosed in the annual report for the year ended 31 December 2013, the directors of the Company do not anticipate that the application of the above amendments will have a significant 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 Development Business Segment engages in development of property projects in the PRC
- Property Investment Business Segment engages in leasing of investment properties in the PRC
- Hotel Business Segment engages in operating hotels in the PRC
- Property Management Business Segment engages in provision of property management services and other services in the PRC

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 2014

	Property Development Business HK\$'000 (unaudited)	Property Investment Business HK\$'000 (unaudited)	Hotel Business HK\$'000 (unaudited)	Property Management Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
TOTAL REVENUE AND EXTERNAL SALES	146,114	6,970	19,521	2,967	175,572
RESULT					
Segment operating results	49,988	2,948	(6,398)	(234)	46,304
Fair value gain in respect of investment properties revaluation	–	48,027	–	–	48,027
Unallocated corporate income					2,417
Unallocated corporate expense					(32,591)
Finance costs					(23,453)
Profit before tax					40,704
Income tax expense					(29,109)
Profit for the period					11,595

For the six months ended 30 June 2013

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

4. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on bank loans and other borrowings wholly repayable within five years	76,286	51,131
Effective interest expense on convertible notes	2,902	2,506
Effective interest expense on senior notes	29,163	–
	<u>108,351</u>	<u>53,637</u>
Less: amounts capitalised in the cost of qualifying assets	<u>(84,898)</u>	<u>(42,191)</u>
	<u>23,453</u>	<u>11,446</u>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax (“EIT”)	9,657	3,486
PRC Land Appreciation Tax (“LAT”)		
Current period	7,445	4,436
Under provision in prior period	–	10,228
Current tax charge for the period	17,102	18,150
Deferred tax charge for the period	12,007	5,874
	<u>29,109</u>	<u>24,024</u>

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. PROFIT (LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation and amortisation	15,845	6,603
Operating lease rental expense in respect of rented premises	15,036	13,273
Gross rental income from investment properties	(6,970)	(18,446)
Less: Direct operating expenses from investment properties that generate rental income	1,728	4,865
	<u>(5,242)</u>	<u>(13,581)</u>

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to owners of the Company of approximately HK\$27,752,000 (six months ended 30 June 2013: approximately HK\$66,164,000) and the weighted average number of ordinary shares of 1,858,722,861 (six months ended 30 June 2013: 1,815,628,938) deemed to be in issue during the period.

Diluted loss 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.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 <i>HK\$'000</i> (unaudited)	As at 31 December 2013 <i>HK\$'000</i> (audited)
Trade receivables	48,009	12,425
Prepayments for construction work	52,845	44,893
Receivable on disposal of subsidiaries	879	879
Receivable on disposal of investment properties	246,329	372,911
Other receivables, prepayments and other deposits	66,169	65,804
	<u>414,231</u>	<u>496,912</u>

An aging analysis of trade receivables (net of allowance for bad and doubtful debts) is as follows:

	As at 30 June 2014 <i>HK\$'000</i> (unaudited)	As at 31 December 2013 <i>HK\$'000</i> (audited)
Within 90 days	38,344	11,704
91 to 180 days	–	213
Over 180 days	9,665	508
	<u>48,009</u>	<u>12,425</u>

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

10. TRADE AND OTHER PAYABLES

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

	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
Within 90 days	191,462	291,237
91 to 180 days	2,599	1,139
Over 180 days	19,997	20,906
Trade payables	214,058	313,282
Interest payables	93,210	52,743
Accrued expenses	19,147	22,100
Other tax payable	14,418	10,667
Other payables	190,293	271,471
	531,126	670,263

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 approximates to their fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The PRC Property Development Business

There was an increase in gross profit in Current Period compared with same period in 2013 because a higher proportion of higher profit margin properties unit of Mei Lai International Centre in Hangzhou was sold and delivered during the Current Period. The Group's development projects now include Zhongshui • Longyang Plaza in Wuhan 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 2014, the Group's revenue from property development business amounted to HK\$146.1 million, representing growth of approximately 28%, compared with HK\$114.6 million for the same period in 2013. Aggregate gross floor area ("GFA") sold for the Current Period was 9,601 square meters ("sq.m."), representing a decrease of 3.6% from 9,962 sq.m. recorded in the same period in 2013. Average selling price ("ASP") was approximately HK\$15,219 for the Current Period, increased by 32% from HK\$11,500 for the same period in 2013.

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

The PRC Property Investment Business

Wuhan Future City Commercial Property Management Company Limited* 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 sq.m. 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.

Since mid-2013, tenancy-mix optimisation project was initiated in order to further improve the earning efficiency of the Shopping Centre. A decrease in both rental income and occupancy rate was noted while the project was carried out. During the period ended 30 June 2014, the rental income arising from the Shopping Centre was approximately HK\$7.0 million and the average occupancy rate is around 44%. As at 30 June 2014, the fair value of the Shopping Centre recorded HK\$1,298.7 million. The operation of the Shopping Centre provided a steady cash inflow to the Group in addition to the possible capital appreciation.

* For identification purposes only.

Hangzhou Mei Lai Commercial Property Management Company Limited* was formed by the Group to prepare the operation of the commercial part of Mei Lai International Centre in Yuhang district of Hangzhou. Mei Lai International Centre is completed its construction in late 2013. The commercial part has approximately 58,310 sq.m. 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 since late 2012, it is expected Mei Lai International Centre can meet the increasing needs from residential and office customers nearby. As at 30 June 2014, the fair value of the commercial part of Mei Lai International Centre recorded HK\$831.6 million.

On 22 July 2013, a lease agreement was entered into among Beijing Huangcheng Club & Culture Company Limited* (“Huangcheng Club”) and Shenzhen Zhongshui Property Company Limited* (“Zhongshui Property”) (a wholly own subsidiary of the Group) and Beijing Qianmen Tianshi Property Development Company Limited* (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, as well as significant political and administrative areas, 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.

On 22 July 2013, the Joint Venture Agreement was entered into between Zhongshui Property, an indirect wholly owned subsidiary of the Company, and Huangcheng Club, pursuant to which Beijing Shenglong Culture Company Limited (the “Joint Venture Company”) was established in Beijing, the PRC, during the period ended 30 June 2014. The Joint Venture Company is owned as to 70% and 30% by each of Zhongshui Property and Huangcheng Club respectively. The purpose of establishing the Joint Venture Company is to develop and operate the Land.

The PRC Hotel Business

Wuhan Future City Hotel Management Company Limited*, 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 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 (“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.

* For identification purposes only.

During the Current Period, the revenue arising from Future City Hotel was approximately HK\$19.5 million and the average occupancy rate is around 78%.

Chunan Yuehuzhuang Hotel Company Limited* was formed by the Group to operate 3 villas, the clubhouse and the yacht berths of Qiandao Lake Villa project as a featured hotel under the name “Yuehuzhuang Hotel”. The hotel commenced its trial operation and, during the Current Period, recorded a revenue of approximately HK\$0.2 million.

The PRC Property Management Business

Wuhan Future City Property Management Company Limited*, 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 sq.m..

During the period ended 30 June 2014, the revenue from property management was approximately HK\$3.0 million.

Group Projects

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 since 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 covers a total site area of 19,191 sq.m. with a total GFA of approximately 145,273 sq.m. 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 Future City shopping centre held its grand opening in late August 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 since late 2012. It has a total site area of 5,852 sq.m. and been developed for a composite building of residential apartments and retail shops with GFA of approximately 42,149 sq.m.. The project is completed and under sale since second half year of 2012.

* For identification purposes only.

Zhongshui • Longyang Plaza

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 sq.m. and is atop the Longyang Station of metro line No. 3 which is currently under construction. This integrated complex will be developed for splendid shopping mall and luxurious office apartments with planned GFA of approximately 135,173 sq.m. The project is under construction and under pre-sell since May 2014.

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 sq.m. 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 since late 2012. The total GFA of approximately 114,610 sq.m.. The development comprises of one grade-A office block with work loft setting, two high-rise premium apartment towers and a premier shopping centre and parking spaces. The project is completed its construction and under sale since late 2013.

Qiandao Lake Villa

This development occupies a site area of approximately 44,016 sq.m. 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 total planned GFA is approximately 33,493 sq.m.. 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.

Nanjing City, Jiangsu

Hohai Project

The project is located at Nanjing 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 sq.m. and total planned GFA of approximately 34,759 sq.m. with five-star hotels, international meeting areas and commercial centres. The project is under construction.

Beijing

Qianmen Project

The project is situated at Qianmen Avenue land parcel B14 (the “Land”), Beijing, the PRC, with a land site area of approximately 10,487 sq.m.. 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 as well as significant political and administrative areas. Upon the completion of the premises, its planned total GFA is approximately 38,876 sq.m. 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 Group have the rights to develop and operate the structures aboveground and the area located on the first floor belowground, which have an aggregate GFA of approximately 17,660 sq.m.. The project is under planning.

Financial Review

Turnover

Turnover of the Group for the six months ended 30 June 2014 was approximately HK\$175.6 million from approximately HK\$156.2 million, an increase of 12% compared with same period in 2013. The increase was mainly due to an increase in revenue from sales of Mei Lai International Centre in Hangzhou, in which the total GFA recognised during the Current Period was 9,601 sq.m., representing a decrease of 4%, compared with the total GFA of 9,962 sq.m. recognised in the same period in 2013. ASP was approximately HK\$15,219 for the Current Period, increased by 32% from HK\$11,500 for the same period in 2013.

The revenue from property leasing and property management business decreased from HK\$18.4 million in 2013 to HK\$7.0 million in 2014 and from HK\$3.6 million in 2013 to HK\$3.0 million in 2014 respectively, while revenue from hotel business was HK\$19.5 million for both periods ended 30 June 2014 and 2013.

Cost of Sales

The cost of sales decreased from approximately HK\$119.5 million for the six months ended 30 June 2013 to approximately HK\$103.3 million for the six months ended 30 June 2014, primarily due to the decrease in average cost per GFA recognised in Current Period, where the cost of properties sold including land costs, development costs and borrowing costs.

During the Current Period, the Group’s cost of sales was also attributable by property investment segment of approximately HK\$1.7 million, a decrease of approximately HK\$3.2 million compared with that in 2013, and by hotel business and property management business of approximately HK\$22.8 million and approximately HK\$2.3 million respectively, and increase of approximately HK\$1.6 million and approximately HK\$Nil compared with those in 2013 respectively.

Gross Profit and Gross Profit Margin

The gross profit increased by HK\$35.6 million from HK\$36.7 million for the six months ended 30 June 2013 to approximately HK\$72.3 million in 2014. The Group has a gross profit margin of 41% for the Current Period, as compared with 24% for the same period in 2013. The increase in the gross profit margin was primarily due to a change in sales-mix of properties, in which a higher proportion of properties with higher profit margin were sold during the Current Period.

Other Operating Income and Expenses

Other operating income and expense for the six months ended 30 June 2014 included mainly exchange gain approximately HK\$2.1 million and amortisation of the prepare lease payment approximately HK\$9.5 million, whereas the bank interest income approximately HK\$0.7 million for the same period in 2013.

Change in Fair Value of the Investment Properties

There was a net gain of approximately HK\$48.0 million for the six months ended 30 June 2014 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 50% to HK\$1.2 million for the six months ended 30 June 2014 from approximately HK\$2.4 million for the same period in 2013, primarily due to a decrease in expenses of advertising and promotion for property development business and property investment business.

Administrative Expenses

The administrative expenses decreased by 32% to approximately HK\$48.1 million for the six months ended 30 June 2014 from approximately HK\$70.8 million for the same period in 2013, primarily due to the absence of one-off share-based payment in the Current Period.

Finance Costs

The finance costs increased by 105% to HK\$23.5 million for the six months ended 30 June 2014 from approximately HK\$11.4 million for the same period in 2013. As the Group raised more borrowings including senior notes, for the property development projects and Group's operation, finance cost increased.

Income Tax Expense

The income tax increased by 21% to approximately HK\$29.1 million for the six months ended 30 June 2014 from approximately HK\$24.0 million for the same period in 2013. 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.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the six months ended 30 June 2014 recorded approximately HK\$27.8 million (six months ended 30 June 2013: approximately HK\$66.2 million).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2014, total bank deposits and cash (including restricted bank deposits) of the Group amounted to approximately HK\$614.1 million (31 December 2013: HK\$498.8 million), representing an increase of 23% as compared to that as at 31 December 2013.

Borrowings and Charges on the Group's Assets

As at 30 June 2014, the Group's total debts included borrowings, senior notes and convertible notes of approximately HK\$1,376.2 million (31 December 2013: HK\$1,165.2 million), senior notes of HK\$573.6 million (31 December 2013: HK\$330.0 million) and liability component of convertible notes of approximately HK\$71.3 million (31 December 2013: HK\$69.6 million) respectively. Amongst the borrowings, approximately HK\$667.1 million (31 December 2013: approximately HK\$561.1 million) will be repayable within one year and approximately HK\$709.1 million (31 December 2013: approximately HK\$604.1 million) will be repayable after one year. The senior notes and convertible notes were due in November 2016 and November 2017 respectively.

As at 30 June 2014, 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\$3,582 million were pledged as security for certain banking facilities granted to the Group. The senior notes were guaranteed by certain subsidiaries of the Company and by pledge of their shares.

Gearing Ratio

The gearing ratio was 69.9% as at 30 June 2014 (31 December 2013: 53.3%). The gearing ratio was measured by net debt (aggregated borrowings, senior notes and convertible notes net of bank balances and cash and pledged bank deposits) over the total equity. The current ratio (current assets divided by current liabilities) was 1.72 (31 December 2013: 1.57).

Exposure to Fluctuation in Foreign Exchange and Interest Rates

The Group principally operates the property development, property investment, 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 2014.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 30 June 2014. 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.

Future Plans and Prospects

The Group is dedicated to the core properties businesses in property development, property investment, hotel business and property management in the PRC. In view of the development trend of the property market in the PRC, the Group principally focuses on first-tier cities such as Beijing and Shanghai, and prime second-tier cities and strategic provincial cities in the PRC. The Group adheres firmly the formulated operational strategy and prudent financial management philosophy focusing on developing quality properties and providing quality services to our customers with healthy balance sheet and modest gearing.

The Group is seeking and assessing land acquisition opportunities in first- and second-tier cities through various channels and networks including the government land auction, searching for companies with land use rights and properties, as well as other developers and business partners who present land acquisition opportunities, as such, the Group would be able to build up and maintain a quality land bank portfolio at competitive prices to enable the Group to develop profitable projects sustainably.

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.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2014, the Group had not provided guarantees to banks (31 December 2013: 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\$241.8 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\$227.0 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the total number of employees stood at approximately 358. Total staff costs for the period under review was approximately HK\$32.2 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 2014 (six months ended 30 June 2013: Nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2014, 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 .

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 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2014, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the “CG Code”) 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 Articles, 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, 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, one executive Director, two non-executive Directors, and one independent non-executive Director could not attend the annual general meeting of the Company held on 10 June 2014 (the “2014 AGM”). However, at the 2014 AGM, 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 of the Board, was unable to attend the 2014 AGM. However, Ms. Wang Wenxia, the Vice Chairman and executive Director of the Company, took the chair of that meeting, and two independent non-executive Directors, being the delegate of the audit, remuneration and nomination committees of the Company 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.

The audit committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2014.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with Shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules; (ii) the annual general meeting provides a forum for Shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its Shareholders and stakeholders; and (v) the branch share registrar of the Company deals with shareholders for share registration and related matters.

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

Hong Kong, 27 August 2014

* *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.