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**中國水務集團有限公司\***

**China Water Affairs Group Limited**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

*(Stock Code: 855)*

## **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2021**

### **KEY HIGHLIGHTS**

- The Group recorded a revenue of HK\$10,345.5 million, representing a steady increase of 19.0% from HK\$8,694.3 million in last year.
- Revenue composition of city water supply operation and construction segment remained robust. Revenue contribution from water supply operation services and water supply connection income amounted to HK\$4,733.5 million (2020: HK\$4,022.1 million), representing a steady increase of 17.7% as compared with the last corresponding year. Revenue contribution from water supply construction services amounted to HK\$3,685.8 million (2020: HK\$3,081.2 million), representing a steady increase of 19.6% as compared with the last corresponding year. The revenue from city water supply operation and construction segment amounted to HK\$8,544.0 million (2020: HK\$7,224.2 million), representing a steady increase of 18.3% as compared with the last corresponding year. The revenue from city water supply operation and construction segment represented approximately 82.6% (2020: 83.1%) of the total revenue. The city water supply segment profit (including city water supply, water related connection works and construction services) amounted to HK\$3,392.2 million (2020: HK\$2,956.1 million), representing a steady increase of 14.8% as compared with the last corresponding year.

- Revenue contribution from sewage treatment and drainage operation services amounted to HK\$329.1 million (2020: HK\$334.2 million), representing a slight decrease of 1.5% as compared with the last corresponding year. Revenue contribution from sewage treatment and water environmental renovation construction services amounted to HK\$747.1 million (2020: HK\$613.7 million), representing a steady increase of 21.7% as compared with the last corresponding year. The revenue from environmental protection segment amounted to HK\$1,205.2 million (2020: HK\$1,073.9 million), representing a steady increase of 12.2% as compared with the last corresponding year. The revenue from environmental protection segment represented approximately 11.6% (2020: 12.4%) of the total revenue. The environmental protection segment profit (including sewage treatment and drainage operating and construction, solid waste and hazardous waste business, environmental sanitation and water environment management) amounted to HK\$294.0 million (2020: HK\$276.3 million), representing a steady increase of 6.4% as compared with the last corresponding year.
- Earnings before interest, taxes, depreciation and amortisation which is calculated as profit before finance costs, income tax, depreciation and amortisation amounted to HK\$4,680.5 million, representing a steady increase of 9.9% from HK\$4,259.6 million in last corresponding year. The slight increase was mainly attributable to (i) the decrease in the one-off contribution amounting to HK\$214.8 million arising from the acquisition of interests in Kangda International in the last corresponding year and (ii) inclusion of the one-off deemed loss on disposal of HK\$39.5 million arising from the exercise of share options of Kangda International by the share options holder in this year (the “One-Off Events”). Excluding the effect of the One-Off Events, the increase was 16.7% from HK\$4,044.8 million to HK\$4,720.0 million.
- Profit for the year attributable to owners of the Company was HK\$1,692.5 million, representing a slight increase of 3.2% from HK\$1,639.5 million in last corresponding year. The slight increase was mainly attributable to the One-Off Events. Excluding the effect of the One-Off Events, there was an increase of 21.6% from HK\$1,424.7 million to HK\$1,732.0 million in this year.
- Basic earnings per share for the year was HK\$1.06, representing a slight increase of 3.9% from HK\$1.02 in last corresponding year. The slight increase was mainly attributable to the One-Off Events. Excluding the effect of the One-Off Events, there was an increase of 22.5% from HK\$0.89 to HK\$1.09 in this year.
- In consideration of the satisfactory results, the board of directors has proposed to pay the equity shareholders of the Company a final dividend of HK16 cents per share. Together with the interim dividend of HK15 cents per share, the total dividends for the year will be HK31 cents per share (2020: HK30 cents per share), representing a steady increase of 3.3% as compared with the last corresponding year.

## RESULTS

The Board of Directors (the “Directors”) of China Water Affairs Group Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2021 together with the comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Revenue</b>	3	<b>10,345,533</b>	8,694,303
Cost of sales		<u><b>(6,006,949)</b></u>	<u>(4,935,818)</u>
<b>Gross profit</b>		<b>4,338,584</b>	3,758,485
Other income	3	<b>376,626</b>	370,563
Selling and distribution costs		<b>(237,057)</b>	(199,135)
Administrative expenses		<b>(775,678)</b>	(735,335)
Other operating expenses		<b>(12,258)</b>	(13,121)
Loss on disposal of subsidiaries, net		<u><b>(3,162)</b></u>	<u>(348)</u>
<b>Operating profit</b>	5	<b>3,687,055</b>	3,181,109
Finance costs	6	<b>(370,577)</b>	(429,215)
Share of results of associates		<u><b>213,143</b></u>	<u>412,615</u>
<b>Profit before income tax</b>		<b>3,529,621</b>	3,164,509
Income tax expense	7	<u><b>(867,547)</b></u>	<u>(657,220)</u>
<b>Profit for the year</b>		<u><b>2,662,074</b></u>	<u>2,507,289</u>

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>1,692,464</b>	1,639,495
Non-controlling interests		<b>969,610</b>	867,794
		<u><b>2,662,074</b></u>	<u>2,507,289</u>
<b>Earnings per share for profit attributable to owners of the Company during the year</b>			
	9	<b><i>HK\$</i></b>	<i>HK\$</i>
Basic		<u><b>1.06</b></u>	<u>1.02</u>
Diluted		<u><b>1.04</b></u>	<u>1.02</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2021*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>2,662,074</b>	2,507,289
<b>Other comprehensive income/(loss)</b>		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	<b>985,721</b>	(832,644)
– Recycling of currency translation differences upon disposal of subsidiaries	<b>703</b>	(258)
– Recycling of currency translation differences upon deemed disposal of an associate	<b>(180)</b>	–
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	<b>(44,042)</b>	2,964
– Share of other comprehensive loss of an associate	<b>(7,220)</b>	(1,814)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>934,982</b>	(831,752)
<b>Total comprehensive income for the year</b>	<b>3,597,056</b>	1,675,537
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>2,390,569</b>	1,008,628
Non-controlling interests	<b>1,206,487</b>	666,909
	<b>3,597,056</b>	1,675,537

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,862,637</b>	2,224,200
Right-of-use assets		<b>1,292,404</b>	1,297,830
Investment properties		<b>1,195,821</b>	1,031,042
Investment in associates		<b>2,517,567</b>	2,227,812
Financial assets at fair value through other comprehensive income		<b>376,245</b>	358,285
Goodwill		<b>1,409,125</b>	1,320,004
Other intangible assets		<b>21,654,961</b>	17,558,146
Prepayments, deposits and other receivables		<b>719,713</b>	894,863
Contract assets		<b>1,049,620</b>	670,545
Receivables under service concession arrangements		<b>1,083,169</b>	1,031,570
		<b>34,161,262</b>	28,614,297
<b>Current assets</b>			
Properties under development		<b>1,826,463</b>	1,505,720
Properties held for sale		<b>732,617</b>	751,533
Inventories		<b>922,325</b>	630,394
Contract assets		<b>479,269</b>	295,993
Receivables under service concession arrangements		<b>69,090</b>	62,361
Trade and bills receivables	10	<b>1,071,490</b>	1,324,787
Financial assets at fair value through profit or loss		<b>1,035,098</b>	292,135
Due from non-controlling equity holders of subsidiaries		<b>268,488</b>	211,072
Due from associates		<b>175,912</b>	13,411
Prepayments, deposits and other receivables		<b>1,879,698</b>	1,597,350
Pledged deposits		<b>515,117</b>	963,236
Cash and cash equivalents		<b>3,901,218</b>	5,640,664
		<b>12,876,785</b>	13,288,656

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Current liabilities</b>			
Lease liabilities		<b>30,531</b>	30,966
Contract liabilities		<b>1,099,264</b>	906,157
Trade and bills payables	11	<b>3,759,730</b>	3,106,708
Accrued liabilities, deposits received and other payables		<b>2,148,055</b>	2,482,964
Due to associates		<b>64,772</b>	121,805
Borrowings		<b>5,261,847</b>	4,090,990
Due to non-controlling equity holders of subsidiaries		<b>208,074</b>	163,642
Provision for tax		<b>1,974,885</b>	1,432,744
		<b>14,547,158</b>	12,335,976
<b>Net current (liabilities)/assets</b>		<b>(1,670,373)</b>	952,680
<b>Total assets less current liabilities</b>		<b>32,490,889</b>	29,566,977
<b>Non-current liabilities</b>			
Borrowings		<b>13,167,026</b>	13,298,027
Lease liabilities		<b>329,048</b>	335,379
Contract liabilities		<b>310,135</b>	276,453
Due to non-controlling equity holders of subsidiaries		<b>392,139</b>	412,979
Deferred government grants		<b>243,127</b>	202,213
Deferred tax liabilities		<b>1,099,386</b>	943,423
		<b>15,540,861</b>	15,468,474
<b>Net assets</b>		<b>16,950,028</b>	14,098,503
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>15,849</b>	16,040
Reserves		<b>10,496,694</b>	8,491,670
		<b>10,512,543</b>	8,507,710
<b>Non-controlling interests</b>		<b>6,437,485</b>	5,590,793
<b>Total equity</b>		<b>16,950,028</b>	14,098,503

*Notes:*

## **1. BASIS OF PREPARATION**

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

As at 31 March 2021, the Group’s current liabilities exceeded its current assets by HK\$1,670,373,000. The directors of the Company are of the view that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account the forecast cash flows including the loan facilities available, and the USD200,000,000 senior notes issued in May 2021 (see note 12). The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

## **2. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP**

During the year, the Group adopted the following new and amended standards which are relevant to the Group’s operation and are mandatory for the year ended 31 March 2021.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform
HKFRS 3 (Amendments)	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The above new and amended standards adopted by the Group did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.



### 3. REVENUE AND OTHER INCOME

Revenue derived from the Group's principal activities, which is also the Group's turnover, recognised during the year is as follows:

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Revenue:</b>			
Water supply operation services		2,820,858	2,403,111
Water supply connection income		1,912,686	1,618,953
Water supply construction services		3,685,793	3,081,211
Sewage treatment and drainage operation services		329,117	334,231
Sewage treatment and water environmental renovation construction services		747,140	613,719
Sales of properties		296,104	200,229
Sales of goods		96,695	33,682
Hotel and rental income	(i)	95,561	91,488
Finance income		43,564	45,972
Handling income		37,904	32,323
Others	(ii)	280,111	239,384
Total		<u>10,345,533</u>	<u>8,694,303</u>
<b>Other income:</b>			
Interest income		159,490	119,337
Government grants and subsidies	(iii)	140,974	181,617
Amortisation of deferred government grants		9,624	9,176
Gain on disposal of property, plant and equipment, net		–	7,532
Dividend income from financial assets		9,648	13,566
Miscellaneous income		56,890	39,335
Total		<u>376,626</u>	<u>370,563</u>

Notes:

- (i) Hotel and rental income comprised lease income from operating leases of HK\$39,733,000 (2020: HK\$34,872,000).
- (ii) Other revenue comprised revenue recognised at a point in time of HK\$192,307,000 (2020: HK\$177,774,000) and recognised over time of HK\$87,804,000 (2020: HK\$61,610,000).
- (iii) Government grants and subsidies mainly comprised unconditional subsidies for subsidising the Group's water supply and other businesses.

#### 4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, which are the Group's chief operating decision-maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- (i) "City water supply operation and construction" involves the provision of water supply operation and construction services;
- (ii) "Environmental protection" involves the provision of sewage treatment and drainage operation and construction services, solid waste and hazardous waste business, environmental sanitation and water environment management; and
- (iii) "Property development and investment" segment involves development of properties for sale and investment in properties for long-term rental yields or for capital appreciation.

Information about other business activities and operating segments that are not reportable are combined and disclosed in "All other segments".

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that finance costs, share of results of associates, corporate income, corporate expense, income tax expense and loss on disposal of subsidiaries, net are excluded from segment results.

Segment assets exclude corporate assets (mainly comprises cash and cash equivalents and pledged deposits), financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment in associates. Segment liabilities exclude items such as taxation and other corporate liabilities (mainly comprises corporate borrowings).

Unallocated corporate income mainly comprises interest income and dividend income from financial assets.

Unallocated corporate expenses mainly comprise salaries and wages, operating leases and other operating expenses of the Company and the investment holding companies.

No asymmetrical allocations have been applied to reportable segments.

## For the year ended 31 March 2021

	City water supply operation and construction <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>						
From external customers	8,543,997	1,205,244	333,230	263,062	–	10,345,533
From inter-segment	–	–	–	–	–	–
<b>Segment revenue</b>	<u>8,543,997</u>	<u>1,205,244</u>	<u>333,230</u>	<u>263,062</u>	<u>–</u>	<u>10,345,533</u>
<b>Segment profit</b>	<u>3,392,227</u>	<u>293,988</u>	<u>31,274</u>	<u>23,382</u>	<u>–</u>	<u>3,740,871</u>
Unallocated corporate income						171,524
Unallocated corporate expense						(222,178)
Loss on disposal of subsidiaries, net						(3,162)
Finance costs						(370,577)
Share of results of associates	86,776	121,801	–	4,566	–	213,143
Profit before income tax						3,529,621
Income tax expense						(867,547)
Profit for the year						<u>2,662,074</u>
<b>Other segment information</b>						
Additions of investment properties	–	–	124,025	–	–	124,025
Additions to other non-current segment assets	3,768,790	16,862	698	467,285	–	4,253,635
Amortisation of deferred government grants	7,031	2,593	–	–	–	9,624
Amortisation of capitalised expenses	(50,589)	–	–	–	–	(50,589)
Amortisation of other intangible assets	(565,100)	(6,396)	–	(6,952)	–	(578,448)
Depreciation of property, plant and equipment and right-of-use assets	(72,289)	(24,657)	(9,273)	(45,067)	–	(151,286)
Property, plant and equipment written off	(922)	(136)	(10)	(121)	–	(1,189)
(Loss)/gain on disposal of property, plant and equipment	(698)	(132)	4	527	–	(299)
Bad debts written off	<u>(1,825)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,825)</u>

	City water supply operation and construction <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	27,189,755	3,554,112	3,999,253	3,007,114	37,750,234
Other financial assets					1,411,343
Investment in associates	561,956	1,858,077	–	97,534	2,517,567
Other corporate assets					5,358,903
					<u>47,038,047</u>
<b>Segment liabilities</b>	6,475,454	680,900	925,547	151,929	8,233,830
Deferred tax liabilities					1,099,386
Provision for tax					1,974,885
Other corporate liabilities					18,779,918
					<u>30,088,019</u>

For the year ended 31 March 2020

	City water supply operation and construction <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>						
From external customers	7,224,212	1,073,940	237,181	158,970	–	8,694,303
From inter-segment	–	–	–	–	–	–
<b>Segment revenue</b>	<u>7,224,212</u>	<u>1,073,940</u>	<u>237,181</u>	<u>158,970</u>	<u>–</u>	<u>8,694,303</u>
<b>Segment profit</b>	<u>2,956,077</u>	<u>276,277</u>	<u>42,091</u>	<u>8,604</u>	<u>–</u>	<u>3,283,049</u>
Unallocated corporate income						133,903
Unallocated corporate expense						(235,495)
Loss on disposal of subsidiaries, net						(348)
Finance costs						(429,215)
Share of results of associates	67,144	340,306	4,870	295	–	412,615
Profit before income tax						3,164,509
Income tax expense						(657,220)
Profit for the year						<u>2,507,289</u>
<b>Other segment information</b>						
Additions of investment properties	–	–	167,126	–	–	167,126
Additions to other non-current segment assets	3,410,755	62,491	2,309	152,604	–	3,628,159
Amortisation of deferred government grants	6,699	2,477	–	–	–	9,176
Amortisation of capitalised expenses	(46,079)	–	–	–	–	(46,079)
Amortisation of other intangible assets	(468,428)	(6,103)	–	(4,614)	–	(479,145)
Depreciation of property, plant and equipment and right-of-use assets	(64,460)	(20,578)	(9,425)	(46,167)	–	(140,630)
Property, plant and equipment written off	(394)	(157)	–	–	–	(551)
Gain/(loss) on disposal of property, plant and equipment	7,440	(121)	98	115	–	7,532
Bad debts written off	<u>(1,427)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,427)</u>

	City water supply operation and construction <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	22,445,828	3,199,268	3,636,747	2,491,867	31,773,710
Other financial assets					650,420
Investment in associates	474,475	1,659,401	–	93,936	2,227,812
Other corporate assets					7,251,011
					<u>41,902,953</u>
<b>Segment liabilities</b>	5,517,013	902,721	1,126,945	161,160	7,707,839
Deferred tax liabilities					943,423
Provision for tax					1,432,744
Other corporate liabilities					17,720,444
					<u>27,804,450</u>

For the years ended 31 March 2021 and 2020, the Group did not depend on any single customer under each of the segments.

The Group's revenue from external customers and its non-current assets located in geographical areas other than the People's Republic of China ("the PRC") are less than 10% of the aggregate amount of all segments.

## 5. OPERATING PROFIT

Profit from operation is arrived at after charging/(crediting) the following:

	2021 HK\$'000	2020 HK\$'000
Cost of sales	6,006,949	4,935,818
Depreciation of property, plant and equipment	82,920	73,155
Depreciation of right-of-use assets	68,366	67,475
Amortisation of other intangible assets	578,448	479,145
Amortisation of capitalised expenses	50,589	46,079
Operating leases in respect of		
– leasehold land and buildings	5,536	3,581
– other property, plant and equipment	4,153	3,206
Staff costs (including directors' emoluments):		
Salaries and wages	941,365	801,213
Pension scheme contribution	112,885	129,682
	<b>1,054,250</b>	<b>930,895</b>
Loss/(gain) on disposal of property, plant and equipment, net	299	(7,532)
Property, plant and equipment written off	1,189	551
Bad debts written off	1,825	1,427
Net foreign exchange loss	11,156	19,308

## 6. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on bank loans	612,188	590,991
Interest on other loans	194,883	168,164
Interest on lease liabilities	18,751	19,058
Total borrowing costs	825,822	778,213
Less: interest capitalised included in property, plant and equipment, other intangible assets and properties under development	(455,245)	(348,998)
	<b>370,577</b>	<b>429,215</b>

## 7. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2021 HK\$'000	2020 HK\$'000
Current income tax – the PRC	760,919	569,223
Deferred tax	<u>106,628</u>	<u>87,997</u>
Total income tax expense	<u><u>867,547</u></u>	<u><u>657,220</u></u>

## 8. DIVIDENDS

### (a) Dividends attributable to the year

	2021 HK\$'000	2020 HK\$'000
Interim dividend of HK\$0.15 (2020: HK\$0.14) per ordinary share	237,735	224,564
Proposed final dividend of HK\$0.16 (2020: HK\$0.16) per ordinary share	<u>253,584</u>	<u>256,645</u>
	<u><u>491,319</u></u>	<u><u>481,209</u></u>

The final dividends proposed after the reporting date for the year ended 31 March 2021 and 2020 were not recognised as a liability at the reporting date. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.

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

	2021 HK\$'000	2020 HK\$'000
Final dividend in respect of the previous financial year of HK\$0.16 (2020: HK\$0.16) per ordinary share	256,645	257,424
Adjustment to the final dividend ( <i>Note</i> )	<u>(2,267)</u>	<u>(779)</u>
	<u><u>254,378</u></u>	<u><u>256,645</u></u>

*Note:* The adjustment was made due to shares repurchased prior to the record date of the final dividends and, therefore, the related shares ranked for this dividend payment.



## 9. EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$1,692,464,000 (2020: HK\$1,639,495,000) and the weighted average of 1,592,090,000 (2020: 1,605,481,000) ordinary shares in issue during the year.

For the year ended 31 March 2021, the calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK\$1,692,464,000 and after adjustments to reflect the effect of deemed exercise or conversion of convertible bonds, which was the adjusted weighted average of 1,632,303,000 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,592,090,000 used in basic earnings per share calculation and adjusted for the effect of deemed exercise or conversion of convertible bonds existing during the year of 40,213,000 ordinary shares.

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding during the year ended 31 March 2020.

## 10. TRADE AND BILLS RECEIVABLES

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for construction projects for which settlement is made in accordance with the terms specified in the contracts governing the relevant transaction. The ageing analysis of trade and bills receivables based on invoice dates is as follows:

	2021 HK\$'000	2020 HK\$'000
0 to 90 days	464,895	773,703
91 to 180 days	100,234	120,514
Over 180 days	506,361	430,570
	<u>1,071,490</u>	<u>1,324,787</u>

## 11. TRADE AND BILLS PAYABLES

The credit terms of trade and bills payables vary according to the terms agreed with different suppliers. Based on the invoice dates, the ageing analysis of trade and bills payables as at the reporting date is as follows:

	2021 HK\$'000	2020 HK\$'000
0 to 90 days	1,970,786	2,148,969
91 to 180 days	390,548	459,900
Over 180 days	1,398,396	497,839
	<u>3,759,730</u>	<u>3,106,708</u>

## **12. EVENT AFTER THE REPORTING PERIOD**

On 11 May 2021, the Company and certain existing subsidiaries of the Company which provided guarantee, entered into the purchase agreement with Morgan Stanley & Co. International plc, BNP Paribas, Australia and New Zealand Banking Group Limited, The Bank of East Asia, Limited, China CITIC Bank International Limited, DBS Bank Ltd. and BOCOM International Securities Limited, in connection with the issue of USD200,000,000 4.85% senior notes due May 2026 (the “2021 Notes”). The Company intended to use the net proceeds from the notes issue in the Company’s repayment of the senior notes due February 2022 (the “2017 Notes”) and certain other indebtedness and for finance working capital and in accordance with the Company’s green finance framework.

On 21 June 2021, the Company has completed the partial redemption of the 2017 Notes at the redemption price equal to 101.3125% of the principal amount thereof, being USD150,000,000, plus accrued and unpaid interest. Upon completion of the partial redemption, the redeemed notes were cancelled and the outstanding principal amount of the 2017 Notes is USD150,000,000.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

For the year ended 31 March 2021, the Group recorded a revenue of HK\$10,345.5 million, representing a steady increase of 19.0% from HK\$8,694.3 million in last year. The Group recorded a gross profit of HK\$4,338.6 million, representing a steady increase of 15.4% from HK\$3,758.5 million in last year. For the year under review, the Group recorded a profit for the year attributable to owners of the Company of HK\$1,692.5 million, representing a slight increase of 3.2% from HK\$1,639.5 million in last year. The basic earnings per share increased slightly by 3.9% to HK\$1.06 in current year.

### **DIVIDENDS**

The Directors recommended a final dividend of HK16 cents (2020: HK16 cents) per ordinary share, which is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 3 September 2021 and will be payable on or about Monday, 18 October 2021 to the shareholders whose names appear on the register of members on Friday, 10 September 2021.

### **CLOSURE OF REGISTER OF MEMBERS**

#### **For Annual General Meeting**

The register of members will be closed from Tuesday, 31 August 2021 to Friday, 3 September 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Friday, 3 September 2021, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 30 August 2021.

#### **For Entitlement to Proposed Final Dividend**

The register of members will be closed from Thursday, 9 September 2021 to Friday, 10 September 2021, during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8 September 2021. Subject to the approval by shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be paid on or around Monday, 18 October 2021.

## **BUSINESS REVIEW**

The Group's total revenue continuously increased from HK\$8,694.3 million for the year ended 31 March 2020 to HK\$10,345.5 million for the year ended 31 March 2021, representing a steady increase of 19.0%. The Group continued its strategy to focus on core business. For the year under review, the Group recorded a steady growth in its "City water supply operation and construction" and "Environmental protection" segments. The total revenue attributable to the "City water supply operation and construction" and "Environmental protection" segments increased from HK\$8,298.2 million to HK\$9,749.2 million. This represented a steady and continuous growth of segments revenue by 17.5%, which was mainly attributable to the successful strategy of the Group through procurement of more construction and connection work, increase in operating efficiency and tariff of the water supply and sewage treatment plants and various mergers and acquisition.

### **(i) Water Supply Business Analysis**

Water supply projects of the Group are well spread in various provincial cities and regions across China, including Hunan, Hubei, Henan, Hebei, Guizhou, Hainan, Jiangsu, Jiangxi, Shenzhen, Guangdong, Chongqing, Shandong, Shanxi and Heilongjiang.

For the year under review, the revenue from city water supply operation and construction segment amounted to HK\$8,544.0 million (2020: HK\$7,224.2 million), representing a steady increase of 18.3% as compared with the last corresponding year. The water supply segment profit (including city water supply, water related connection works and construction services) amounted to HK\$3,392.2 million (2020: HK\$2,956.1 million), representing a steady increase of 14.8% as compared with the last corresponding year. This was mainly because of increase in volume of water sold, procurement of more construction and connection work driven by the continuation of urban-rural water supply integration and the promotion of the Public-Private Partnership model in the water sector and the additional contribution from the direct drinking water business and new water projects during the year.

## **(ii) Environmental Protection Business Analysis**

Environmental protection projects of the Group are well spread in various provincial cities and regions across China, including Beijing, Tianjin, Shenzhen, Guangdong, Henan, Hebei, Hunan, Hubei, Guizhou, Jiangxi, Shaanxi, Heilongjiang and Sichuan.

For the year under review, the revenue from environmental protection segment amounted to HK\$1,205.2 million (2020: HK\$1,073.9 million), representing a steady increase of 12.2% as compared with the last corresponding year. The environmental protection segment profit (including sewage treatment and drainage operating and construction, solid waste and hazardous waste business, environmental sanitation and water environment management) amounted to HK\$294.0 million (2020: HK\$276.3 million), representing a steady increase of 6.4% as compared with the last corresponding year. This was mainly due to procurement of more construction work driven by the supply-drainage integration in current year.

## **(iii) Property Business Analysis**

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

For the year under review, the revenue from the property business segment amounted to HK\$333.2 million (2020: HK\$237.2 million). The total property business segment profit amounted to HK\$31.3 million (2020: HK\$42.1 million). This was mainly due to the decrease in profit margin in sales of property projects in current year.

For the year under review, the overall decrease in the Group's share of results of associates was mainly attributable to the decrease in the one-off contribution of HK\$214.8 million arising from the acquisition of interests in Kangda International Environmental Company Limited ("Kangda International"), whose ordinary shares are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). For the year under review, the total contribution to the Group by Kangda International amounted to HK\$120.8 million, which comprised (i) the deemed loss on disposal of HK\$39.5 million arising from the exercise of 107,350,000 share options of Kangda International at the exercise price of HK\$0.76 per share held by the share options holders, resulting in the issue of 107,350,000 ordinary shares of HK\$0.01 each of Kangda International for a total cash consideration of HK\$81,586,000; and (ii) share of results of Kangda International of HK\$160.3 million. For the corresponding year under review, the total contribution to the Group by Kangda International amounted to HK\$323.2 million, which comprised (i) the excess of the investor's share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment of HK\$214.8 million; and (ii) share of results of Kangda International of HK\$108.4 million.

## PROSPECTS

For the past year, facing the unexpected outbreak of COVID-19 and the impact of the global economic downturn on every industry in Mainland China, the advantages of the Group's public utilities business shined and our overall business had shown resilience and development. Looking ahead to the coming year, we are facing new challenges and opportunities.

In May 2020, the National Development and Reform Commission issued the "Implementation Opinions on Creating a Better Development Environment to Support the Healthy Development of Private Enterprises in Energy-saving and Environmental Protection" (《關於營造更好發展環境支持民營節能環保企業健康發展的實施意見》), which provided clear guidelines for further opening up key industry markets and supported private sectors to participate in construction works to improve the sectors' strength. Recently, the National Development and Reform Commission has also stated in the "Notice on Intensifying the Action Plan for Tariff Mechanism Reform During the 14th Five-Year Period" (《關於“十四五”時期深化價格機制改革行動方案的通知》) that the formation of urban and rural water supply tariff and its adjustment mechanism would be established and optimized during the 14th Five-Year Period. The implementation of the plan will accelerate the reform and marketization of the water industry and create larger space for the expansion of market.

The Group will seize the development opportunities and policy benefits emerging from the national strategies to increase domestic demand and intensify the development of new-type urbanization. The Group will continue to maintain its two core development strategies, namely urban-rural water supply integration and supply-drainage integration, and relentlessly develop its core businesses to achieve scale economy. While speeding up merger and acquisition efforts, the Group will intensify and develop the business expansion model of cooperation with local governments. The Group will develop value-added business markets, such as secondary water supply, and actively promote our "Fingertip Water" App and smart water service to provide consumers with a full range of professional water services, thus enhancing the Group's service standards and core competitiveness. Meanwhile, under the "Healthy China 2030" national planning outline, the Group will leverage its water supply platform, capable service team and extensive customer base to actively promote direct drinking water business to meet the demand for healthy drinking water of higher quality. The Group will also establish new business and profit growth points as well as improve and optimize the Group's business deployment and industry value chain to enhance synergies, enabling the Group to create higher returns for shareholders and contribute to national economic development and improvement of people's livelihood.

## **ISSUE OF CONVERTIBLE BONDS**

On 1 April 2020, the Company entered into a subscription agreement with Baring Private Equity Asia V Holding (5) Limited (“BPEA”) (the “Proposed Subscription”) pursuant to which the Company conditionally agreed to subscribe for, and BPEA conditionally agreed to issue, the exchangeable bonds for a consideration of approximately HK\$361.3 million (the “Exchangeable Bonds”). The consideration shall be satisfied by the Company issuing the convertible bonds to BPEA to convert into up to 44,886,521 ordinary shares of the Company (“Conversion Share”) at the initial conversion price (subject to adjustment) of HK\$8.05 per Conversion Share (the “Convertible Bonds”). BPEA conditionally agreed to subscribe for the Convertible Bonds of the Company in an aggregate principal amount of approximately HK\$361.3 million.

Further details of which are disclosed in the Company’s announcement dated 1 April 2020. The Proposed Subscription was completed on 8 May 2020 and the Convertible Bonds and the Exchangeable Bonds were issued on 8 May 2020 accordingly.

## **ISSUE AND PARTIAL REDEMPTION OF SENIOR NOTES**

On 11 May 2021, the Company and certain existing subsidiaries of the Company which provided guarantee, entered into the purchase agreement with Morgan Stanley & Co. International plc, BNP Paribas, Australia and New Zealand Banking Group Limited, The Bank of East Asia, Limited, China CITIC Bank International Limited, DBS Bank Ltd. and BOCOM International Securities Limited, in connection with the issue of USD200,000,000 4.85% senior notes due May 2026 (the “2021 Notes”). The Company intended to use the net proceeds from the notes issue in the Company’s repayment of the senior notes due February 2022 (the “2017 Notes”) and certain other indebtedness and for finance working capital and in accordance with the Company’s green finance framework.

On 21 June 2021, the Company has completed the partial redemption of the 2017 Notes at the redemption price equal to 101.3125% of the principal amount thereof, being USD150,000,000, plus accrued and unpaid interest. Upon completion of the partial redemption, the redeemed notes were cancelled and the outstanding principal amount of the 2017 Notes is USD150,000,000.



## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group has total cash and cash equivalents and pledged deposits of approximately HK\$4,416.3 million (2020: HK\$6,603.9 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 64.0% (2020: 66.4%) as at 31 March 2021.

As at 31 March 2021, the Group's current liabilities exceeded its current assets by approximately HK\$1,670.4 million (2020: net current assets of HK\$952.7 million). It was mainly due to maturity of the 2017 Notes amounting to USD300 million (approximately HK\$2,340 million) within one year. In the opinion of the Directors, after taken into account of the available banking facilities, issuance of the 2021 Notes of USD200 million (approximately HK\$1,560 million) and internal resources, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2021, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration (excluding expenses) HK\$
June 2020	364,000	5.58	5.52	2,018,000
July 2020	7,510,000	6.64	5.54	44,889,000
August 2020	5,348,000	6.81	6.18	34,483,000
September 2020	4,920,000	6.38	5.84	29,921,000
October 2020	984,000	5.73	5.60	5,567,000

During the year ended 31 March 2021, the Company repurchased and cancelled a total of 19,126,000 ordinary shares of HK\$0.01 each in the capital of the Company. Accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the contributed surplus of the Company.

The purchase of the Company's shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.



On 21 June 2021, the Company has completed the partial redemption of the 2017 Notes at the redemption price equal to 101.3125% of the principal amount thereof, being USD150,000,000, plus accrued and unpaid interest. Upon completion of the partial redemption, the redeemed notes were cancelled and the outstanding principal amount of the 2017 Notes is USD150,000,000.

## **CORPORATE GOVERNANCE**

During the year ended 31 March 2021, the Company has complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), save and except for the deviations from code provisions A.2.1, A.4.2 and A.6.7.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Duan Chuan Liang serves as the Chairman of the Company. The function of chief executive officer is collectively performed by the executive directors. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board continues to believe that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has strong confidence in the executive directors and believes that this structure is beneficial to the business prospects of the Company.

Under code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. According to the Company’s bye-laws, at each annual general meeting, one third of the directors shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the chairman of Board should not be subject to retirement by rotation.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive directors and non-executive directors were unable to attend the Company’s annual general meeting held on 4 September 2020 due to their other business commitments.

## **HUMAN RESOURCES**

As at 31 March 2021, the Group has employed approximately 10,000 staff. Most of them stationed in the PRC and the remaining in Hong Kong. The remuneration package of the employees is determined by various factors including their experience and performance, the market condition, industry practice and applicable employment law.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of directors. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code throughout the year ended 31 March 2021 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

## AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprises five independent non-executive directors, namely Mr. Chau Kam Wing (chairman of audit committee), Mr. Siu Chi Ming, Ms. Ho Ping, Ms. Zhou Nan and Mr. Chan Wai Cheung Admiral. The annual results of the Group for the year ended 31 March 2021 have been reviewed by the audit committee.

The financial figures in respect of the announcement of the Group’s consolidated results for the year ended 31 March 2021 have been agreed by the Company’s auditor, PricewaterhouseCoopers (“PwC”), to the amount set out in the Group’s draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by PwC on this announcement.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange’s website (<http://www.hkex.com.hk>) and the Company’s website (<http://www.chinawatergroup.com>). The annual report will be dispatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

On Behalf of the Board  
**China Water Affairs Group Limited**  
**Duan Chuan Liang**  
*Chairman*

Hong Kong, 29 June 2021

*As at the date of this announcement, the Board comprises five executive Directors, being Mr. Duan Chuan Liang, Ms. Ding Bin, Ms. Liu Yu Jie, Mr. Li Zhong and Mr. Duan Jerry Linnan, four non-executive Directors, being Mr. Zhao Hai Hu, Mr. Zhou Wen Zhi, Mr. Makoto Inoue and Ms. Wang Xiaoqin, and five independent non-executive Directors, being Mr. Chau Kam Wing, Mr. Siu Chi Ming, Ms. Ho Ping, Ms. Zhou Nan and Mr. Chan Wai Cheung Admiral.*

\* For identification purposes only