

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**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 2023**

<b>FINANCIAL HIGHLIGHT FOR THE YEAR ENDED 31 MARCH</b>		<b>2023</b>	<b>2022</b>	<b>Changes</b>
		<b>HK\$ million</b>	<b>HK\$ million</b>	<b>%</b>
				<b>Note (1)</b>
Revenue	Total	<b>14,195.0</b>	12,949.8	9.6
	Pipeline direct drinking water supply operations and pipeline direct drinking water supply installation and maintenance services	<b>282.8</b>	165.6	70.8
	Pipeline direct drinking water supply construction services	<b>1,026.0</b>	492.2	108.5
	City water supply operations and city water supply installation and maintenance services	<b>5,274.0</b>	5,416.3	(2.6)
	City water supply construction services	<b>4,166.6</b>	4,035.5	3.2
	Sewage treatment and drainage operations services	<b>399.9</b>	389.1	2.8
	Sewage treatment and water environmental renovation construction services	<b>1,187.6</b>	771.4	54.0
Segment profit	Pipeline direct drinking water supply	<b>504.3</b>	164.8	206.0
	City water supply	<b>2,836.4</b>	3,147.9	(9.9)
	Environmental protection	<b>468.4</b>	409.8	14.3
	EBITDA (Note (2))	<b>5,675.1</b>	5,265.5	7.8
	Profit for the period attributable to owners of the Company	<b>1,856.8</b>	1,893.6	(1.9)
	Earnings per share – Basic	<b>HK\$1.14</b>	HK\$1.17	(2.6)
	Final dividend per share	<b>HK18 cents</b>	HK18 cents	–
<i>Notes:</i> (1) The average exchange rate of Renminbi to Hong Kong Dollar adopted by the Group for financial reporting purpose depreciated by approximately 6.2% as compared with the last corresponding year.				
(2) Calculated as profit before finance costs, income tax, depreciation and amortisation				

\* For identification purpose only

On 3 November 2022, the Company, as guarantor, and Silver Dragon Water Supply Group Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facilities agreement with banks in respect of the five-year tenor US\$250,000,000 equivalent syndicated loan facilities with a greenshoe option of up to US\$250,000,000 equivalent.

The amount borrowed is expected to be applied for the early prepayment of certain existing bank facilities of the Company. This advance optimisation of debt structure by means of refinancing outstanding loans repayable within one year with long-term loans will remarkably enhance the Group's liquidity position.

As at 31 March 2023, US\$300,000,000 has been drawdown under the syndicated loan facilities and was applied for repayment and early prepayment of certain bank facilities of the Company.

## 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 2023 together with the comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>14,194,953</b>	12,949,828
Cost of sales		<u>(8,848,656)</u>	<u>(7,987,628)</u>
<b>Gross profit</b>		<b>5,346,297</b>	4,962,200
Other income, net	3	<b>427,090</b>	358,564
Selling and distribution costs		<b>(282,940)</b>	(290,403)
Administrative expenses		<b>(955,695)</b>	(881,058)
Expected credit loss on trade receivables		<u><b>(45,024)</b></u>	<u>–</u>
<b>Operating profit</b>	5	<b>4,489,728</b>	4,149,303
Finance costs	6	<b>(633,225)</b>	(468,076)
Share of results of associates		<u><b>162,792</b></u>	<u>234,995</u>
<b>Profit before income tax</b>		<b>4,019,295</b>	3,916,222
Income tax expense	7	<u><b>(930,950)</b></u>	<u>(939,093)</u>
<b>Profit for the year</b>		<u><b>3,088,345</b></u>	<u>2,977,129</u>

		<b>2023</b>	2022
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>1,856,786</b>	1,893,573
Non-controlling interests		<b>1,231,559</b>	1,083,556
		<b><u>3,088,345</u></b>	<u>2,977,129</u>
<b>Earnings per share for profit attributable to</b>			
<b>owners of the Company during the year</b>	<b>9</b>	<b><i>HK\$</i></b>	<i>HK\$</i>
Basic		<b><u>1.14</u></b>	<u>1.17</u>
Diluted		<b><u>1.14</u></b>	<u>1.16</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>3,088,345</b>	2,977,129
<b>Other comprehensive (loss)/income</b>		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	<b>(1,683,743)</b>	1,255,382
– Recycling of currency translation differences upon disposal or deregistration of subsidiaries, net	<b>193</b>	344
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>(57,024)</b>	4,445
– Share of other comprehensive income/(loss) of an associate	<b>32,348</b>	(21,600)
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(1,708,226)</b>	1,238,571
<b>Total comprehensive income for the year</b>	<b><u>1,380,119</u></b>	<b><u>4,215,700</u></b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>575,701</b>	2,830,857
Non-controlling interests	<b>804,418</b>	1,384,843
	<b><u>1,380,119</u></b>	<b><u>4,215,700</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,338,119</b>	3,372,755
Right-of-use assets		<b>1,302,999</b>	1,366,709
Investment properties		<b>1,362,198</b>	1,398,863
Investment in associates		<b>2,402,532</b>	2,743,534
Financial assets at fair value through other comprehensive income		<b>461,445</b>	396,688
Goodwill		<b>1,419,442</b>	1,476,185
Other intangible assets		<b>29,122,981</b>	26,503,555
Prepayments, deposits and other receivables		<b>721,660</b>	806,617
Contract assets		<b>1,358,496</b>	1,305,719
Receivables under service concession arrangements		<b>1,788,146</b>	1,194,902
		<b>43,278,018</b>	40,565,527
<b>Current assets</b>			
Properties under development		<b>1,235,634</b>	2,066,096
Properties held for sale		<b>1,133,738</b>	675,926
Inventories		<b>650,353</b>	831,658
Contract assets		<b>1,481,535</b>	879,691
Receivables under service concession arrangements		<b>122,833</b>	80,180
Trade and bills receivables	10	<b>1,954,038</b>	1,561,650
Financial assets at fair value through profit or loss		<b>653,320</b>	1,149,409
Amounts due from non-controlling equity holders of subsidiaries		<b>248,585</b>	203,054
Amounts due from associates		<b>271,744</b>	137,699
Prepayments, deposits and other receivables		<b>2,635,409</b>	2,384,381
Pledged deposits		<b>514,260</b>	506,350
Cash and cash equivalents		<b>6,984,821</b>	6,022,821
		<b>17,886,270</b>	16,498,915

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current liabilities</b>			
Lease liabilities		<b>37,978</b>	36,805
Contract liabilities		<b>1,401,864</b>	1,231,997
Trade and bills payables	11	<b>5,403,857</b>	4,673,899
Accrued liabilities, deposits received and other payables		<b>3,131,649</b>	2,675,905
Amounts due to associates		<b>34,843</b>	50,190
Borrowings		<b>8,020,540</b>	7,692,095
Amounts due to non-controlling equity holders of subsidiaries		<b>120,523</b>	290,230
Provision for tax		<b>3,027,151</b>	2,597,264
		<b>21,178,405</b>	19,248,385
<b>Net current liabilities</b>		<b>(3,292,135)</b>	(2,749,470)
<b>Total assets less current liabilities</b>		<b>39,985,883</b>	37,816,057
<b>Non-current liabilities</b>			
Borrowings		<b>15,607,292</b>	14,171,416
Lease liabilities		<b>343,121</b>	338,095
Contract liabilities		<b>317,692</b>	328,489
Amounts due to non-controlling equity holders of subsidiaries		<b>1,078,213</b>	958,665
Deferred government grants		<b>197,354</b>	222,246
Deferred tax liabilities		<b>1,270,077</b>	1,314,402
		<b>18,813,749</b>	17,333,313
<b>Net assets</b>		<b>21,172,134</b>	20,482,744
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>16,323</b>	16,323
Reserves		<b>12,976,831</b>	12,952,889
		<b>12,993,154</b>	12,969,212
<b>Non-controlling interests</b>		<b>8,178,980</b>	7,513,532
<b>Total equity</b>		<b>21,172,134</b>	20,482,744

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 2023, the Group’s current liabilities exceeded its current assets by approximately HK\$3,292,135,000. The directors of the Company have reviewed the Group’s cash flow projection, which covers a period of not less than twelve months from 31 March 2023. 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 of the forecast cash flows including the cashflow generated from operations, internal financial resources, available loan facilities and new loan facilities currently under negotiation. The Group had unused loan facilities of approximately HK\$7,579.4 million as at 31 March 2023. The directors of the Company believe that the Group will be able to renew or extend its existing loan facilities to drawdown from the unused loan facilities when needed. The Group will also continue to seek new debt financing and bank borrowings at cost acceptable to the Group. 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. AMENDED STANDARDS ADOPTED BY THE GROUP

During the year, the Group adopted the following amended standards which are relevant to the Group’s operation and are mandatory for the year ended 31 March 2023.

HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments
Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020

The above 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:

	2023 HK\$'000	2022 HK\$'000
<b>Revenue:</b>		
<b>Point in time</b>		
City water supply operations	3,353,844	3,361,094
Pipeline direct drinking water supply operations	170,061	107,884
Sales of goods	797,202	650,329
Sales of properties	515,992	494,521
Others	258,719	265,427
	5,095,818	4,879,255
	5,095,818	4,879,255
<b>Overtime</b>		
City water supply installation and maintenance services	1,920,108	2,055,252
Pipeline direct drinking water supply installation and maintenance services	112,767	57,691
City water supply construction services	4,166,600	4,035,515
Pipeline direct drinking water supply construction services	1,025,994	492,195
Sewage treatment and drainage operations services	399,921	389,109
Sewage treatment and water environmental renovation construction services	1,187,560	771,421
Hotel and rental income	104,049	104,467
Finance income	45,534	51,541
Handling income	38,824	41,257
Others	97,778	72,125
	9,099,135	8,070,573
	9,099,135	8,070,573
Total	14,194,953	12,949,828
<b>Other income, net:</b>		
Interest income	164,031	123,373
Government grants and subsidies ( <i>Note</i> )	222,947	191,441
Amortisation of deferred government grants	12,108	35,495
Dividend income from financial assets	9,109	11,165
Gain/(loss) on disposal of other intangible assets, net	13,944	(475)
Gain/(loss) on deregistration or disposal of subsidiaries, net	1,278	(6,127)
(Loss)/gain on disposal of property, plant and equipment, net	(276)	190
Gain on disposal of right-of-use assets	–	1,751
Miscellaneous income, net	3,949	1,751
	427,090	358,564
Total	427,090	358,564

*Note:* 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" involves the provision of city water supply operations and construction, installation and maintenance services and other services;
- (ii) "Pipeline direct drinking water supply" involves the provision of pipeline direct drinking water supply operations and construction, installation and maintenance services and other services;
- (iii) "Environmental protection" involves the provision of sewage treatment and drainage operations and construction services, solid waste and hazardous waste business, environmental sanitation and water environment management;
- (iv) "Main contractor construction" involves the provision of municipal public construction services by the Group's subsidiary which possesses Grade 1 main contractor qualification; and
- (v) "Property development and investment" segment involves development of properties for sale and investment in properties for long-term rental yields or for capital appreciation.

In the second half of the year ended 31 March 2023, the Group (1) renamed "City water supply operations and construction" segment to "City water supply" segment; (2) began separately presenting the provision of pipeline direct drinking water supply operations and construction, installation and maintenance services and other services under "Pipeline direct drinking water supply" segment; and (3) began separately presenting the provision of municipal public construction services by the Group's subsidiary which possesses grade 1 main contractor qualification under "Main contractor construction" segment. These changes are consistent with the chief operating decision-maker's view of the business. Prior year's corresponding segment information that was presented for comparative purpose has been restated.

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 use 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 gain/loss on deregistration or 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 2023

	City water supply HK\$'000	Pipeline direct drinking water supply HK\$'000	Environmental protection HK\$'000	Main contractor construction HK\$'000	Property development and investment HK\$'000	All other segments HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
<b>Revenue</b>								
From external customers	8,729,233	1,310,146	1,409,945	1,198,706	544,931	1,001,992	-	14,194,953
From inter-segment	201,931	6,619	-	1,837,455	-	-	(2,046,005)	-
<b>Segment revenue</b>	<b>8,931,164</b>	<b>1,316,765</b>	<b>1,409,945</b>	<b>3,036,161</b>	<b>544,931</b>	<b>1,001,992</b>	<b>(2,046,005)</b>	<b>14,194,953</b>
<b>Segment profit/(loss)</b>	<b>2,836,446</b>	<b>504,262</b>	<b>468,406</b>	<b>797,311</b>	<b>89,083</b>	<b>(17,810)</b>	<b>-</b>	<b>4,677,698</b>
Unallocated corporate income								178,871
Unallocated corporate expense								(366,841)
Finance costs								(633,225)
Share of results of associates	78,816	(51)	80,981	-	-	3,046	-	162,792
Profit before income tax								4,019,295
Income tax expense								(930,950)
Profit for the year								<b>3,088,345</b>
<b>Other segment information</b>								
Additions of investment properties	-	-	-	-	55,128	-	-	55,128
Additions to other non-current segment assets	3,859,859	1,153,970	71,504	504	-	94,740	-	5,180,577
Amortisation of deferred government grants	9,520	-	-	2,588	-	-	-	12,108
Amortisation of other intangible assets	(758,848)	(13,599)	(16,764)	-	-	(8,040)	-	(797,251)
Depreciation of property, plant and equipment and right-of-use assets	(76,842)	(27,745)	(29,067)	(924)	(9,033)	(81,721)	-	(225,332)
Property, plant and equipment written off	(123)	(5)	(126)	(3)	-	(936)	-	(1,193)
Expected credit loss on trade receivables	(43,462)	(1,562)	-	-	-	-	-	(45,024)
Trade receivables written off	(191)	-	-	-	-	-	-	(191)

	City water supply <i>HK\$'000</i>	Pipeline direct drinking water supply <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Main contractor construction <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>	32,172,422	2,484,571	4,879,738	2,139,549	4,110,504	3,267,498	49,054,282
Other financial assets							1,114,765
Investment in associates	257,315	4,479	2,069,026	-	-	71,712	2,402,532
Other corporate assets							8,592,709
							<u>61,164,288</u>
<b>Segment liabilities</b>	5,183,540	569,577	199,115	3,833,077	539,946	615,810	10,941,065
Deferred tax liabilities							1,270,077
Provision for tax							3,027,151
Other corporate liabilities							24,753,861
							<u>39,992,154</u>

For the year ended 31 March 2022

	City water supply HK\$'000	Pipeline direct drinking water supply HK\$'000	Environmental protection HK\$'000	Main contractor construction HK\$'000	Property development and investment HK\$'000	All other segments HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
<b>Revenue</b>								
From external customers	9,316,250	693,715	1,200,041	389,314	531,729	818,779	–	12,949,828
From inter-segment	130,675	6,681	–	1,879,023	–	–	(2,016,379)	–
<b>Segment revenue</b>	<u>9,446,925</u>	<u>700,396</u>	<u>1,200,041</u>	<u>2,268,337</u>	<u>531,729</u>	<u>818,779</u>	<u>(2,016,379)</u>	<u>12,949,828</u>
<b>Segment profit/(loss)</b>	<u>3,147,879</u>	<u>164,800</u>	<u>409,770</u>	<u>408,136</u>	<u>118,260</u>	<u>(45,209)</u>	<u>–</u>	<u>4,203,636</u>
Unallocated corporate income								144,342
Unallocated corporate expense								(198,675)
Finance costs								(468,076)
Share of results of associates	80,262	(190)	147,765	–	–	7,158	–	234,995
Profit before income tax								3,916,222
Income tax expense								(939,093)
Profit for the year								<u>2,977,129</u>
<b>Other segment information</b>								
Additions of investment properties	–	–	–	–	164,484	–	–	164,484
Additions to other non-current segment assets	3,803,918	556,013	69,614	873	1,453	119,687	–	4,551,558
Amortisation of deferred government grants	32,774	–	2,721	–	–	–	–	35,495
Amortisation of other intangible assets	(644,999)	(870)	(6,721)	–	–	(7,295)	–	(659,885)
Depreciation of property, plant and equipment and right-of-use assets	(107,830)	(6,779)	(26,763)	(686)	(9,643)	(69,609)	–	(221,310)
Property, plant and equipment written off	(316)	–	(255)	(1)	–	(6)	–	(578)
Trade receivables written off	(1,730)	–	–	–	–	–	–	(1,730)

	City water supply <i>HK\$'000</i>	Pipeline direct drinking water supply <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Main contractor construction <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>	30,292,087	1,336,365	4,153,763	1,500,689	4,517,570	3,428,472	45,228,946
Other financial assets							1,546,097
Investment in associates	592,142	4,639	2,074,994	–	–	71,759	2,743,534
Other corporate assets							<u>7,545,865</u>
							<u><u>57,064,442</u></u>
<b>Segment liabilities</b>	5,357,411	255,855	74,120	2,827,790	1,409,840	305,498	10,230,514
Deferred tax liabilities							1,314,402
Provision for tax							2,597,264
Other corporate liabilities							<u>22,439,518</u>
							<u><u>36,581,698</u></u>

For the years ended 31 March 2023 and 2022, 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 the following:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of consumables and raw materials	3,815,174	3,491,608
Subcontracting costs	1,571,289	1,228,491
Cost of utilities used	439,876	415,497
Cost of raw water and water resources	401,494	427,658
Depreciation of property, plant and equipment	154,990	148,304
Depreciation of right-of-use assets	70,342	73,006
Amortisation of other intangible assets	797,251	659,885
Trade receivables written off	191	1,730
Expected credit loss on trade receivables	45,024	–
Short-term lease and low-value assets lease expenses in respect of:		
– leasehold land and buildings	5,553	7,964
– other property, plant and equipment	1,099	4,494
Staff costs (including directors' emoluments):		
– Direct labour costs	331,899	423,382
– Salaries and wages	492,719	561,931
– Pension scheme contribution	188,108	196,228
– Other staff costs	74,946	89,595
	1,087,672	1,271,136
Property, plant and equipment written off	1,193	578
Net foreign exchange loss	46,776	1,753
	<u>1,087,672</u>	<u>1,271,136</u>

## 6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank loans	891,433	638,225
Interest on other loans	245,227	227,778
Interest on amounts due to non-controlling equity holders of subsidiaries	5,832	5,781
Interest on lease liabilities	18,348	19,252
	<u>1,160,840</u>	<u>891,036</u>
Total borrowing costs	1,160,840	891,036
Less: interest capitalised included in property, plant and equipment, investment properties, other intangible assets and properties under development	(527,615)	(422,960)
	<u>633,225</u>	<u>468,076</u>

## 7. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
– the PRC	887,866	790,441
Deferred tax	<u>43,084</u>	<u>148,652</u>
Total income tax expense	<u><u>930,950</u></u>	<u><u>939,093</u></u>

## 8. DIVIDENDS

### (a) Dividends attributable to the year

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend of HK\$0.16 (2022: HK\$0.16) per ordinary share	261,172	261,172
Proposed final dividend of HK\$0.18 (2022: HK\$0.18) per ordinary share	<u>293,818</u>	<u>293,818</u>
	<u><u>554,990</u></u>	<u><u>554,990</u></u>

The final dividends proposed after the reporting date for the year ended 31 March 2023 and 2022 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Final dividend in respect of the previous financial year of HK\$0.18 (2022: HK\$0.16) per ordinary share	293,818	253,584
Adjustment to the final dividend ( <i>Note</i> )	<u>–</u>	<u>7,587</u>
	<u><u>293,818</u></u>	<u><u>261,171</u></u>

*Note:* The adjustment was made due to shares issued 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\$1,856,786,000 (2022: HK\$1,893,573,000) and the weighted average of 1,632,322,000 (2022: 1,617,642,000) ordinary shares in issue during the year.

Diluted earnings per share is the same as basic earnings per share as there were no potential diluting ordinary shares during the year ended 31 March 2023.

For the year ended 31 March 2022, the calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK\$1,893,573,000 and after adjustments to reflect the effect of deemed exercise or conversion of convertible bonds, which was the adjusted weighted average of 1,632,322,000 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,617,642,000 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 14,680,000 ordinary shares.

## 10. TRADE AND BILLS RECEIVABLES

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for certain construction, installation and maintenance 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 the invoice dates is as follows:

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	<b>1,072,772</b>	877,487
91 to 180 days	<b>171,504</b>	150,260
Over 180 days	<b>709,762</b>	533,903
	<b>1,954,038</b>	1,561,650

## 11. TRADE AND BILLS PAYABLES

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

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	<b>3,085,013</b>	2,467,503
91 to 180 days	<b>874,970</b>	791,483
Over 180 days	<b>1,443,874</b>	1,414,913
	<b>5,403,857</b>	4,673,899

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

For the year ended 31 March 2023, the Group recorded a revenue of HK\$14,195.0 million, representing a steady increase of 9.6% from HK\$12,949.8 million in last year. The Group recorded a gross profit of HK\$5,346.3 million, representing a steady increase of 7.7% from HK\$4,962.2 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\$1,856.8 million, representing a slight decrease of 1.9% from HK\$1,893.6 million in last year. The basic earnings per share decreased slightly by 2.6% to HK\$1.14 in current year.

### **DIVIDENDS**

The Directors recommended a final dividend of HK18 cents (2022: HK18 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, 8 September 2023 and will be payable on or about Friday, 17 November 2023 to the shareholders whose names appear on the register of members on Friday, 22 September 2023.

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

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

The register of members will be closed from Tuesday, 5 September 2023 to Friday, 8 September 2023 (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, 8 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Monday, 4 September 2023.

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

The register of members will be closed from Thursday, 21 September 2023 to Friday, 22 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 20 September 2023. 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 Friday, 17 November 2023.

## **BUSINESS REVIEW**

The Group's total revenue continuously increased from HK\$12,949.8 million for the year ended 31 March 2022 to HK\$14,195.0 million for the year ended 31 March 2023, representing a steady increase of 9.6%. The Group continued its strategy to focus on core business. For the year under review, the Group recorded a significant growth in its "Pipeline direct drinking water supply" segment. The total revenue attributable to the "Pipeline direct drinking water supply" segment increased from HK\$693.7 million to HK\$1,310.1 million. The total revenue attributable to the "City water supply", "Pipeline direct drinking water supply" and "Environmental protection" segments increased from HK\$11,210.0 million to HK\$11,449.3 million. This represented a steady and continuous growth of segments revenue by 2.1%, which was mainly attributable to the successful strategies of the Group through implementation of the urban-rural water supply integration and supply-drainage integration and active development in pipeline direct drinking water supply business to establish a twin-driver business portfolio of water supply and pipeline direct drinking water.

In the second half of the year ended 31 March 2023, the Group (1) renamed "City water supply operations and construction" segment to "City water supply" segment; (2) began separately presenting the provision of pipeline direct drinking water supply operations and construction, installation and maintenance services and other services under "Pipeline direct drinking water supply" segment; and (3) began separately presenting the provision of municipal public construction services by the Group's subsidiary which possesses grade 1 main contractor qualification under "Main contractor construction" segment. These changes are consistent with the chief operating decision-maker's view of the business. Prior year's corresponding segment information that was presented for comparative purpose has been restated.

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

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

For the year under review, the revenue from city water supply segment amounted to HK\$8,729.2 million (2022: HK\$9,316.3 million), representing a decrease of 6.3% as compared with the last corresponding year. The city water supply segment profit amounted to HK\$2,836.4 million (2022: HK\$3,147.9 million), representing a decrease of 9.9% as compared with the last corresponding year. This was mainly because of overall decrease in installation and maintenance works during the year.

### **(ii) Pipeline Direct Drinking Water Supply Business Analysis**

Pipeline direct drinking water supply projects of the Group are well spread in various provincial cities and regions across China, including Hunan, Hubei, Henan, Hebei, Guizhou, Jiangsu, Jiangxi, Guangdong (including Shenzhen), Guangxi, Beijing, Chongqing, Shandong, Shanxi, Anhui, Zhejiang, Yunnan, Sichuan, Ningxia, Fujian, Heilongjiang, Hainan and Liaoning.

For the year under review, the revenue from pipeline direct drinking water supply segment amounted to HK\$1,310.1 million (2022: HK\$693.7 million), representing a significant increase of 88.9% as compared with the last corresponding year. The pipeline direct drinking water supply segment profit amounted to HK\$504.3 million (2022: HK\$164.8 million), representing a significant increase of 206.0% as compared with the last corresponding year. This was mainly because of procurement of more installation and maintenance and construction works and contribution from fast expanding pipeline direct drinking water supply projects during the year.

**(iii) Environmental Protection Business Analysis**

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

For the year under review, the revenue from environmental protection segment amounted to HK\$1,409.9 million (2022: HK\$1,200.0 million), representing a steady increase of 17.5% as compared with the last corresponding year. The environmental protection segment profit amounted to HK\$468.4 million (2022: HK\$409.8 million), representing a steady increase of 14.3% as compared with the last corresponding year. This was mainly due to procurement of more construction work driven by the supply-drainage integration, expansion of sewage treatment infrastructure in a national level petrochemical area the Group is serving and increase in volume of processed sewage in current year.

**(iv) Main Contractor Construction Business Analysis**

Main contractor construction projects were carried out by the Group's subsidiary which possesses Grade 1 main contractor qualification for nationwide municipal public construction works in China.

For the year under review, the revenue from external customers of the main contractor construction segment amounted to HK\$1,198.7 million (2022: HK\$389.3 million), representing a significant increase of 207.9% as compared with the last corresponding year. The main contractor construction segment profit amounted to HK\$797.3 million (2022: HK\$408.1 million), representing a significant increase of 95.4% as compared with the last corresponding year. This was mainly due to procurement of more construction work for water supply and sewage treatment projects during the year.

#### **(v) 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\$544.9 million (2022: HK\$531.7 million). The total property business segment profit amounted to HK\$89.1 million (2022: HK\$118.3 million), representing a decrease of 24.7% as compared with the last corresponding year. This was mainly due to the decrease of profit margin in sales of property projects in current year.

For the year under review, the share of results of Kangda International Environmental Company Limited, whose ordinary shares are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), amounted to HK\$78.0 million (2022: HK\$145.0 million).

#### **PROSPECTS**

Looking ahead to 2023, mainland China’s business and economic activities will resume, and the Central Government’s proactive fiscal and sound monetary policies are expected to continue to stimulate and drive the steady development of the overall economy. As the country’s economy develops and people’s living standards improve, the demand for quality and healthy drinking water will continue to grow. Pipeline direct drinking water supply will spearhead a new and low-carbon upgrade for domestic water consumption in China, opening the door to a trillion-dollar market. In response to market demand, the Group’s pipeline direct drinking water supply business, which has been developed and vigorously promoted for many years, is at the right time to be in line with the new development model and opportunities arising from the “dual carbon” initiative, thereby achieving a higher quality, more efficient, more equitable, more sustainable and safer development model. At the same time, the business will also achieve a higher return on investment. As the Group’s core business going forward, the development of pipeline direct drinking water supply will be prioritised through the allocation of various resources such as staff and capital.

Looking ahead and against the backdrop of the dual carbon goals, the Group will take advantage of favourable policies and market opportunities, focus on the principal goal of dual water supply mainly through operation, achieve a sustainable development model with a combination of light and heavy assets, strengthen the creation of new business growth points through technological innovation and green and low-carbon development, enhance operational efficiency and synergies, strengthen our core competitiveness, attain sustainable and high-quality development, contribute to the improvement of people’s livelihood and create higher returns for shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2023, the Group maintained a satisfactory liquidity level. As at 31 March 2023, the Group has total cash and cash equivalents and pledged deposits of approximately HK\$7,499.1 million (31 March 2022: HK\$6,529.2 million), which are mainly in Hong Kong dollars, Renminbi and United States dollars. The gearing ratio, calculated as a percentage of total liabilities to total assets, is 65.4% (31 March 2022: 64.1%) as at 31 March 2023.

As at 31 March 2023, the Group's current liabilities exceeded its current assets by HK\$3,292.1 million (31 March 2022: net current liabilities of HK\$2,749.5 million). It was mainly due to maturity of the outstanding principal amount of two syndicated bank loans amounting to US\$280 million (approximately HK\$2,184 million) within one year. In the opinion of the directors of the Company, after taken into account the cashflow generated from operations, the internal financial resources, available loan facilities and new loan facilities currently under negotiation, the Group will have sufficient working capital to meet its financial obligation in full as they fall due in the foreseeable future.

As at 31 March 2023, the Group's aggregate outstanding borrowings amounted to HK\$23,627.8 million (31 March 2022: HK\$21,863.5 million), which are mainly in Hong Kong dollars, Renminbi and United States dollars. The increase in overall borrowings was mainly due to the loans raised related to the capital expenditure, repayment of indebtedness and working capital requirements of the Group. 72.5% of such outstanding borrowings was arranged on floating rate basis and the balance of 27.5% was at fixed rate basis. According to the repayment schedule, HK\$8,020.5 million was repayable within one year and the balance of HK\$15,607.3 million was repayable after one year. As at 31 March 2023, the total unutilised loan facilities available to the Group amounted to HK\$7,579.4 million (31 March 2022: HK\$1,680.7 million).

On 3 November 2022, the Company, as guarantor, and Silver Dragon Water Supply Group Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facilities agreement with banks in respect of the five-year tenor US\$250,000,000 equivalent syndicated loan facilities with a greenshoe option of up to US\$250,000,000 equivalent.

The amount borrowed is expected to be applied for the early prepayment of certain existing bank facilities of the Company. This advance optimisation of debt structure by means of refinancing outstanding loans repayable within one year with long-term loans will remarkably enhance the Group's liquidity position.

As at 31 March 2023, US\$300,000,000 has been drawdown under the syndicated loan facilities and was applied for repayment and early prepayment of certain bank facilities of the Company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 March 2023, the Company purchased an aggregate principal amount of US\$12,500,000 of the US\$350,000,000 4.85% senior notes due May 2026 (listed on the Singapore Exchange Securities Trading Limited) by private arrangement at an aggregate consideration of approximately US\$10,260,000.

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.

## **TREASURY AND FOREIGN EXCHANGE RISK MANAGEMENT**

The Group adopted conservative treasury policies in cash and financial management for the year under review. Cash was generally placed in short-term deposits. The Group's liquidity and financing requirements were reviewed regularly.

As Hong Kong dollar was pegged with the United States dollar, the directors of the Company considered that the Group was exposed to limited risk in this aspect.

Majority of the subsidiaries of the Company operates in the PRC with most of its transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated financial statements. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in the Group's net asset value. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk. The Group manages foreign currency risk by closely monitoring the proportion of its non-Renminbi borrowings.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The Board reviews its corporate governance system from time to time in order to meet the rising expectations of shareholders and comply with the increasingly tightened regulatory requirements.

During the year ended 31 March 2023, 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 9 September 2022 due to their other business commitments.

## **HUMAN RESOURCES**

As at 31 March 2023, the Group has employed approximately 11,400 staff. Most of them stationed in the PRC and 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.

The Company had adopted a share option scheme to incentivise the directors, senior management and employees of the Group. During the year ended 31 March 2023, no option was granted by the Company pursuant to the share option scheme.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of directors. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code throughout the year ended 31 March 2023 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 four independent non-executive directors, namely Mr. Chau Kam Wing (chairman of audit committee), Mr. Siu Chi Ming, Ms. Ho Ping and Ms. Zhou Nan. The annual results of the Group for the year ended 31 March 2023 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 2023 have been agreed by the Company's auditor, PricewaterhouseCoopers ("PwC"), to the amount set out in the Group's audited 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, 27 June 2023

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

\* *For identification purposes only*