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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 2024**

FINANCIAL HIGHLIGHT FOR THE YEAR ENDED 31 MARCH		2024	2023	Changes
		HK\$ million	HK\$ million	%
				Note (1)
Revenue	Total	12,858.5	14,195.0	(9.4)
	Pipeline direct drinking water supply operations and pipeline direct drinking water supply installation and maintenance services	426.0	282.8	50.6
	Pipeline direct drinking water supply construction services	1,274.6	1,026.0	24.2
	City water supply operations and city water supply installation and maintenance services	4,969.1	5,274.0	(5.8)
	City water supply construction services	3,927.6	4,166.6	(5.7)
	Sewage treatment and drainage operations services	377.4	399.9	(5.6)
	Sewage treatment and water environmental renovation construction services	654.5	1,187.6	(44.9)
Segment profit	Pipeline direct drinking water supply	591.7	504.3	17.3
	City water supply	2,490.2	2,836.4	(12.2)
	Environmental protection	354.2	468.4	(24.4)
	EBITDA (Note (2))	5,152.5	5,675.1	(9.2)
	Profit for the year attributable to owners of the Company	1,533.5	1,856.8	(17.4)
	Earnings per share – Basic	HK\$0.94	HK\$1.14	(17.5)
	Final dividend per share	HK15 cents	HK18 cents	(16.7)
<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 5.8% 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.

As at 31 March 2024, approximately US\$358,000,000 has been drawdown under the syndicated loan facilities and was applied for repayment and early prepayment of certain bank facilities of the Company.

For the year under review, the Company continued to deepen its cooperation with the existing banks, broaden the financing channels by cooperating with new banks and optimise its debt structure by means of refinancing outstanding loans repayable within one year with long-term loans which could gradually enhance the Group's liquidity position.

In order to save more resources to capture the development of fast expanding pipeline direct drinking water supply business and provide consistent return to the equity shareholders of the Company, the board of directors has proposed to pay the equity holders of the Company a final dividend of HK15 cents per ordinary share for the year ended 31 March 2024. Together with the interim dividend of HK13 cents per ordinary share, the dividend payout ratio is approximately 30%, which is in line with the comparative 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 2024 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	3	12,858,515	14,194,953
Cost of sales		<u>(8,082,551)</u>	<u>(8,848,656)</u>
Gross profit		4,775,964	5,346,297
Other income, net	3	372,709	427,090
Selling and distribution costs		(265,942)	(282,940)
Administrative expenses		(822,560)	(955,695)
Expected credit loss on trade receivables		<u>(10,000)</u>	<u>(45,024)</u>
Operating profit	5	4,050,171	4,489,728
Finance costs	6	(724,654)	(633,225)
Share of results of associates		<u>44,141</u>	<u>162,792</u>
Profit before income tax		3,369,658	4,019,295
Income tax expense	7	<u>(778,301)</u>	<u>(930,950)</u>
Profit for the year		<u>2,591,357</u>	<u>3,088,345</u>

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		1,533,543	1,856,786
Non-controlling interests		1,057,814	1,231,559
		<u>2,591,357</u>	<u>3,088,345</u>
Earnings per share for profit attributable to owners of the Company during the year			
	9	<i>HK\$</i>	<i>HK\$</i>
Basic		<u>0.94</u>	<u>1.14</u>
Diluted		<u>0.94</u>	<u>1.14</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit for the year	2,591,357	3,088,345
Other comprehensive (loss)/income		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	(1,617,922)	(1,683,743)
– Recycling of currency translation differences upon disposal or deregistration of subsidiaries, net	26	193
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	(111,890)	(57,024)
– Share of other comprehensive (loss)/income of an associate	(5,128)	32,348
Other comprehensive loss for the year, net of tax	(1,734,914)	(1,708,226)
Total comprehensive income for the year	856,443	1,380,119
Total comprehensive income attributable to:		
Owners of the Company	227,264	575,701
Non-controlling interests	629,179	804,418
	856,443	1,380,119

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,422,496	3,338,119
Right-of-use assets		1,388,089	1,302,999
Investment properties		1,306,249	1,362,198
Investment in associates		2,151,263	2,402,532
Financial assets at fair value through other comprehensive income		345,320	461,445
Goodwill		1,371,118	1,419,442
Other intangible assets		31,847,158	29,122,981
Prepayments, deposits and other receivables		686,960	721,660
Contract assets		1,798,014	1,358,496
Receivables under service concession arrangements		2,049,741	1,788,146
		46,366,408	43,278,018
Current assets			
Properties under development		1,199,731	1,235,634
Properties held for sale		1,049,150	1,133,738
Inventories		667,498	650,353
Contract assets		2,220,961	1,481,535
Receivables under service concession arrangements		120,796	122,833
Trade and bills receivables	10	2,135,973	1,954,038
Financial assets at fair value through profit or loss		491,668	653,320
Amounts due from non-controlling equity holders of subsidiaries		214,792	248,585
Amounts due from associates		394,240	271,744
Prepayments, deposits and other receivables		2,830,658	2,635,409
Pledged deposits		745,396	514,260
Cash and cash equivalents		4,804,799	6,984,821
		16,875,662	17,886,270

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current liabilities			
Lease liabilities		38,613	37,978
Contract liabilities		1,069,563	1,401,864
Trade and bills payables	11	6,849,362	5,403,857
Accrued liabilities, deposits received and other payables		2,685,314	3,131,649
Amounts due to associates		21,764	34,843
Borrowings		6,971,524	8,020,540
Amounts due to non-controlling equity holders of subsidiaries		126,857	120,523
Provision for tax		2,984,412	3,027,151
		20,747,409	21,178,405
Net current liabilities		(3,871,747)	(3,292,135)
Total assets less current liabilities		42,494,661	39,985,883
Non-current liabilities			
Borrowings		17,878,737	15,607,292
Lease liabilities		332,314	343,121
Contract liabilities		254,574	317,692
Amounts due to non-controlling equity holders of subsidiaries		818,436	1,078,213
Deferred government grants		190,700	197,354
Deferred tax liabilities		1,567,358	1,270,077
		21,042,119	18,813,749
Net assets		21,452,542	21,172,134
EQUITY			
Equity attributable to owners of the Company			
Share capital		16,323	16,323
Reserves		12,770,470	12,976,831
		12,786,793	12,993,154
Non-controlling interests		8,665,749	8,178,980
Total equity		21,452,542	21,172,134

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 2024, the Group’s current liabilities exceeded its current assets by approximately HK\$3,871.7 million while the Group’s cash and cash equivalents and pledged deposits amounted to approximately HK\$5,550.2 million. In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, taking into consideration a number of plans and measures as set out below:

- As at 31 March 2024, the Group had unutilised loan facilities and offers of approximately HK\$9,864.1 million. Management maintains on-going communication with the relevant banks and these facilities and offers continues to be available for utilisation as and when needed in accordance with their terms and conditions up to the date of these consolidated financial statements. In the opinion of the directors, these unutilised loan facilities and offers will continue to be available to the Group for supporting its operation for the next twelve months from 31 March 2024;
- Management is actively negotiating with various banks and financial institutions for increasing the amounts of existing loan facilities as well as securing new loan facilities. Subsequent to 31 March 2024 and up to the date of these consolidated financial statements, the Group has obtained new loan facilities amounting to HK\$1,504.3 million. The directors of the Company believe that the Group will be able to secure additional loan facilities as and when needed at terms acceptable to the Group;
- As at 31 March 2024, the Group had trade and bills receivables of HK\$2,136.0 million amongst which HK\$767.9 million are over 180 days due. The Group will closely monitor the credit risk of the counterparties and continue to expedite the collection; and
- As at 31 March 2024, the Group had trade and bills payables of HK\$6,849.4 million amongst which HK\$2,156.0 million are over 180 days due. In the opinion of the directors, the Group maintains long-term business relationship with its creditors and does not anticipate any significant change in the repayment trend to these creditors.

The directors of the Company have reviewed the Group's cash flow projections prepared by management which covers a period of not less than twelve months from 31 March 2024. The directors of the Company are of the opinion that, considering the anticipated cash flow generated from the Group's operations, the possible changes in its operating performance, the continued availability of the Group's bank and other borrowings, the Group's ability to draw down from its existing loan facilities, as well as the measures to achieve favourable working capital position in debtor collection and creditor payment, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 March 2024. Accordingly, the directors consider that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

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 mandatory for the year ended 31 March 2024.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
HKFRS 17	Insurance Contracts

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue:		
Point in time		
City water supply operations	3,310,678	3,353,844
Pipeline direct drinking water supply operations	293,426	170,061
Sales of goods	490,854	797,202
Sales of properties	187,351	515,992
Others	250,229	258,719
	<u>4,532,538</u>	<u>5,095,818</u>
Overtime		
City water supply installation and maintenance services	1,658,418	1,920,108
Pipeline direct drinking water supply installation and maintenance services	132,560	112,767
City water supply construction services	3,927,636	4,166,600
Pipeline direct drinking water supply construction services	1,274,642	1,025,994
Sewage treatment and drainage operations services	377,438	399,921
Sewage treatment and water environmental renovation construction services	654,534	1,187,560
Hotel and rental income	108,726	104,049
Finance income	54,811	45,534
Handling income	41,681	38,824
Others	95,531	97,778
	<u>8,325,977</u>	<u>9,099,135</u>
Total	<u><u>12,858,515</u></u>	<u><u>14,194,953</u></u>
Other income, net:		
Interest income	191,674	164,031
Government grants and subsidies (<i>Note</i>)	193,393	222,947
Amortisation of deferred government grants	13,205	12,108
Dividend income from financial assets	5,542	9,109
(Loss)/gain on disposal of other intangible assets, net	(866)	13,944
(Loss)/gain on deregistration or disposal of subsidiaries, net	(6,515)	1,278
Loss on disposal of property, plant and equipment, net	(1,009)	(276)
Loss on disposal of right-of-use assets	(406)	–
Miscellaneous (loss)/income, net	(22,309)	3,949
Total	<u><u>372,709</u></u>	<u><u>427,090</u></u>

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.

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 loss/gain 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 2024

	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
Revenue								
From external customers	8,276,397	1,721,929	1,071,518	826,840	207,482	754,349	–	12,858,515
From inter-segment	60,886	8,264	–	1,669,394	28,270	–	(1,766,814)	–
Segment revenue	8,337,283	1,730,193	1,071,518	2,496,234	235,752	754,349	(1,766,814)	12,858,515
Segment profit	2,490,175	591,716	354,163	610,535	41,056	10,601	–	4,098,246
Unallocated corporate income								203,197
Unallocated corporate expense								(251,272)
Finance costs								(724,654)
Share of results of associates	29,941	(176)	13,402	–	–	974	–	44,141
Profit before income tax								3,369,658
Income tax expense								(778,301)
Profit for the year								2,591,357
Other segment information								
Additions of investment properties	–	–	–	–	28,786	–	–	28,786
Additions to other non-current segment assets	3,941,930	1,511,007	102,275	706	–	125,605	–	5,681,523
Amortisation of deferred government grants	8,079	28	5,098	–	–	–	–	13,205
Amortisation of other intangible assets	(793,520)	(17,253)	(15,843)	–	–	(7,230)	–	(833,846)
Depreciation of property, plant and equipment and right-of-use assets	(79,891)	(32,265)	(27,696)	(742)	(8,142)	(75,606)	–	(224,342)
Property, plant and equipment written off	(115)	(9)	(30)	–	–	(123)	–	(277)
Expected credit loss on trade receivables	(7,910)	(2,090)	–	–	–	–	–	(10,000)
Trade receivables written off	(817)	–	–	–	–	–	–	(817)

	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>
Segment assets	34,154,999	4,027,574	5,984,634	2,214,353	3,983,930	3,158,194	53,523,684
Other financial assets							836,988
Investment in associates	263,423	2,202	1,818,969	-	-	66,669	2,151,263
Other corporate assets							<u>6,730,135</u>
							<u><u>63,242,070</u></u>
Segment liabilities	5,891,785	963,102	150,090	4,078,455	428,799	140,161	11,652,392
Deferred tax liabilities							1,567,358
Provision for tax							2,984,412
Other corporate liabilities							<u>25,585,366</u>
							<u><u>41,789,528</u></u>

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
Revenue								
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)	–
Segment revenue	<u>8,931,164</u>	<u>1,316,765</u>	<u>1,409,945</u>	<u>3,036,161</u>	<u>544,931</u>	<u>1,001,992</u>	<u>(2,046,005)</u>	<u>14,194,953</u>
Segment profit/(loss)	<u>2,836,446</u>	<u>504,262</u>	<u>468,406</u>	<u>797,311</u>	<u>89,083</u>	<u>(17,810)</u>	<u>–</u>	<u>4,677,698</u>
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								<u>3,088,345</u>
Other segment information								
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>
Segment assets	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							<u>8,592,709</u>
							<u><u>61,164,288</u></u>
Segment liabilities	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							<u>24,753,861</u>
							<u><u>39,992,154</u></u>

For the years ended 31 March 2024 and 2023, 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of consumables and raw materials	3,151,114	3,815,174
Subcontracting costs	1,569,195	1,571,289
Cost of utilities used	428,497	439,876
Cost of raw water and water resources	460,146	401,494
Depreciation of property, plant and equipment	150,308	154,990
Depreciation of right-of-use assets	74,034	70,342
Amortisation of other intangible assets	833,846	797,251
Trade receivables written off	817	191
Expected credit loss on trade receivables	10,000	45,024
Short-term lease and low-value assets lease expenses in respect of:		
– leasehold land and buildings	6,822	5,553
– other property, plant and equipment	2,142	1,099
Staff costs (including directors' emoluments):		
– Direct labour costs	345,510	331,899
– Salaries and wages	436,505	492,719
– Pension scheme contribution	186,881	188,108
– Other staff costs	69,212	74,946
	1,038,108	1,087,672
Property, plant and equipment written off	277	1,193
Net foreign exchange loss	41,943	46,776
	<u>1,038,108</u>	<u>1,087,672</u>

6. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on bank loans	1,108,450	891,433
Interest on other loans	277,480	245,227
Interest on amounts due to non-controlling equity holders of subsidiaries	5,009	5,832
Interest on lease liabilities	18,420	18,348
	<u>1,409,359</u>	<u>1,160,840</u>
Total borrowing costs	1,409,359	1,160,840
Less: interest capitalised included in property, plant and equipment, investment properties, other intangible assets and properties under development	(684,705)	(527,615)
	<u>724,654</u>	<u>633,225</u>

7. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– the PRC	456,988	887,866
Deferred tax	321,313	43,084
Total income tax expense	778,301	930,950

8. DIVIDENDS

(a) Dividends attributable to the year

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of HK\$0.13 (2023: HK\$0.16) per ordinary share	212,202	261,172
Proposed final dividend of HK\$0.15 (2023: HK\$0.18) per ordinary share	244,848	293,818
	457,050	554,990

The final dividends proposed after the reporting date for the year ended 31 March 2024 and 2023 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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year of HK\$0.18 (2023: HK\$0.18) per ordinary share	293,818	293,818

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\$1,533,543,000 (2023: HK\$1,856,786,000) and the weighted average of 1,632,322,000 (2023: 1,632,322,000) ordinary shares in issue during the year.

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 March 2024 and 2023.

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 90 days	1,092,879	1,072,772
91 to 180 days	275,241	171,504
Over 180 days	767,853	709,762
	<u>2,135,973</u>	<u>1,954,038</u>

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 90 days	3,510,096	3,085,013
91 to 180 days	1,183,315	874,970
Over 180 days	2,155,951	1,443,874
	<u>6,849,362</u>	<u>5,403,857</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2024, the Group recorded a revenue of HK\$12,858.5 million, representing a decrease of 9.4% from HK\$14,195.0 million in last year. The Group recorded a gross profit of HK\$4,776.0 million, representing a decrease of 10.7% from HK\$5,346.3 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\$1,533.5 million, representing a decrease of 17.4% from HK\$1,856.8 million in last year. The basic earnings per share decreased by 17.5% to HK\$0.94 in current year.

DIVIDENDS

The Directors recommended a final dividend of HK15 cents (2023: 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, 6 September 2024 and will be payable on or about Friday, 15 November 2024 to the shareholders whose names appear on the register of members on Friday, 27 September 2024.

CLOSURE OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Tuesday, 3 September 2024 to Friday, 6 September 2024 (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, 6 September 2024, 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, 2 September 2024.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Thursday, 26 September 2024 to Friday, 27 September 2024, 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, 25 September 2024. 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, 15 November 2024.

BUSINESS REVIEW

The Group's total revenue decreased from HK\$14,195.0 million for the year ended 31 March 2023 to HK\$12,858.5 million for the year ended 31 March 2024, representing a decrease of 9.4%. 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\$1,310.1 million to HK\$1,721.9 million, representing a significant increase of 31.4%. The total revenue attributable to the "City water supply", "Pipeline direct drinking water supply" and "Environmental protection" segments decreased from HK\$11,449.3 million to HK\$11,069.8 million. This represented a slight decrease of segments revenue by 3.3%, which was mainly because of depreciation of Renminbi and overall decrease in installation and maintenance and construction works in "City water supply" and "Environmental protection" segments during the year.

(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, 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\$8,276.4 million (2023: HK\$8,729.2 million), representing a decrease of 5.2% as compared with the last corresponding year. The city water supply segment profit amounted to HK\$2,490.2 million (2023: HK\$2,836.4 million), representing a decrease of 12.2% as compared with the last corresponding year. This was mainly because of overall decrease in installation and maintenance and construction 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, Shanghai, Chongqing, Shandong, Shanxi, Anhui, Zhejiang, Yunnan, Sichuan, Ningxia, Fujian, Heilongjiang, Hainan, Liaoning and Shaanxi.

For the year under review, the revenue from pipeline direct drinking water supply segment amounted to HK\$1,721.9 million (2023: HK\$1,310.1 million), representing a significant increase of 31.4% as compared with the last corresponding year. The pipeline direct drinking water supply segment profit amounted to HK\$591.7 million (2023: HK\$504.3 million), representing an increase of 17.3% 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\$1,071.5 million (2023: HK\$1,409.9 million), representing a decrease of 24.0% as compared with the last corresponding year. The environmental protection segment profit amounted to HK\$354.2 million (2023: HK\$468.4 million), representing a decrease of 24.4% as compared with the last corresponding year. This was mainly due to the gradual completion of certain sewage treatment construction projects in hand or entering into the final stage of construction works and thus a natural decrease year by year in the revenue contributed by these projects.

(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\$826.8 million (2023: HK\$1,198.7 million), representing a significant decrease of 31.0% as compared with the last corresponding year. The main contractor construction segment profit amounted to HK\$610.5 million (2023: HK\$797.3 million), representing a decrease of 23.4% as compared with the last corresponding year. This was mainly due to the overall decrease in construction works for external 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\$207.5 million (2023: HK\$544.9 million). The total property business segment profit amounted to HK\$41.1 million (2023: HK\$89.1 million), representing a significant decrease of 53.9% as compared with the last corresponding year. This was mainly due to the decrease of sales of property projects in current year, as a result of the sluggish recovery of confidence among potential buyers in the property market.

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\$39.0 million (2023: HK\$78.0 million).

PROSPECTS

The economic recovery was not as expected due to multiple unfavourable factors such as the volatile international political and economic environment, the increasing uncertainties in the interest rate and exchange rate movements of major overseas economies, and the weakening of domestic and overseas demand. On the other hand, the Central Government is expected to take various proactive measures, including the issuance of increased special bonds and ultra-long-term government bonds, to address the imbalances that have accumulated over the course of development, as well as the timely introduction of demand-boosting policies to continue to push forward the green transformation of the economy and to cultivate the development of new-quality productivity.

With the socio-economic transformation to green and low-carbon as well as the increasing demand for high-quality and healthy drinking water, pipeline direct drinking water will become the key in transitioning into low-carbon water consumption for Chinese public. It is in line with the current development pattern and market demand, and will drive the Company’s business towards a second growth stage, bringing the Company a rare opportunity for rapid growth.

Looking ahead, the central banks of major economies, including the European Union and Canada, have announced interest rate cuts, marking the beginning of a global easing cycle, and the market is anticipating that the Federal Reserve will begin its interest rate cut cycle at the end of the year. Under the relatively loose interest rate environment, there is room for further interest rate and benchmark cuts in domestic financing costs. On the other hand, with the overall increase of China’s water prices, gas prices and other utility prices, the market has come to terms with utility price increases, and this should be indicative of a new round of water price recovery cycle. At the same time, a combination of government measures has begun to have a stabilising effect on the real estate industry, driving the industry to bottom out, and facilitating the gradual release of investment in the market and the ability of the government to purchase services.

The Group will continue to anchor on the principal core of dual water supply mainly through operation, adhere to the development strategy of developing water supply and pipeline direct drinking water as the two main businesses, and grasp the second growth opportunity presented by pipeline direct drinking water to promote the Company's business. Adhering to the strategy of technological innovation and green low-carbon development, the Company will maintain a healthy cash flow and financial position, and achieve a sustainable development model with a combination of light and heavy assets. We will endeavour to satisfy the people's aspirations for a better life and create good returns for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2024, the Group maintained a satisfactory liquidity level. As at 31 March 2024, the Group has total cash and cash equivalents and pledged deposits of approximately HK\$5,550.2 million (31 March 2023: HK\$7,499.1 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 66.1% (31 March 2023: 65.4%) as at 31 March 2024.

As at 31 March 2024, the Group's current liabilities exceeded its current assets by HK\$3,871.7 million (31 March 2023: net current liabilities of HK\$3,292.1 million). It was mainly due to (i) maturity of various long-term bank loans, new and existing short-term bank loans due within one year; and (ii) increased capital expenditure for the construction projects of non-current nature and the fast expanding pipeline direct drinking water business during the year ended 31 March 2024. 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 offers, 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 next twelve months.

As at 31 March 2024, the Group's aggregate outstanding borrowings amounted to HK\$24,850.3 million (31 March 2023: HK\$23,627.8 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. 71.0% of such outstanding borrowings was arranged on floating rate basis and the balance of 29.0% was at fixed rate basis. According to the repayment schedule, HK\$6,971.5 million was repayable within one year and the balance of HK\$17,878.7 million was repayable after one year. As at 31 March 2024, the total unutilised loan facilities and offers available to the Group amounted to HK\$9,864.1 million (31 March 2023: HK\$7,579.4 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.

As at 31 March 2024, approximately US\$358,000,000 has been drawdown under the syndicated loan facilities and was applied for repayment and early prepayment of certain bank facilities of the Company.

For the year under review, the Company continued to deepen its cooperation with the existing banks, broaden the financing channels by cooperating with new banks and optimise its debt structure by means of refinancing outstanding loans repayable within one year with long-term loans which could gradually enhance the Group's liquidity position.

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

During the year ended 31 March 2024, the Company sold 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\$10,688,000.

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 may result in exchange gain/loss and would also 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 foreign exchange markets, the proportion of its non-Renminbi borrowings and optimising the treasury and financial management strategies.

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 2024, the Company has complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix C1 (formerly known as 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 C.2.1, B.2.2 and C.1.6.

Under code provision C.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 B.2.2, 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 role of the chairman provides 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 C.1.6, 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 15 September 2023 due to their other business commitments.

HUMAN RESOURCES

As at 31 March 2024, the Group has employed approximately 11,600 staff. Most of them are 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 2024, 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 C3 (formerly known as 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 2024 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 2024 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 2024 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 2024

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, three non-executive Directors, being 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.