



中國水務集團有限公司*

China Water Affairs Group Limited

Stock code : 855

2024/25

INTERIM REPORT

* For identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Mr. Duan Chuan Liang (*Chairman*)
Ms. Ding Bin
Mr. Li Zhong
Mr. Duan Jerry Linnan

Non-executive

Mr. Li Hao (*appointed on 28 June 2024*)
Ms. Wang Xiaoqin
Ms. Liu Yu Jie
Mr. Makoto Inoue
(*resigned on 28 June 2024*)

Independent Non-executive

Mr. Chau Kam Wing
Mr. Siu Chi Ming
Ms. Ho Ping
Mr. Xiao Zhe (*appointed on 15 July 2024*)
Ms. Zhou Nan (*resigned on 15 July 2024*)

AUDIT COMMITTEE

Mr. Chau Kam Wing
(*Chairman of committee*)
Mr. Siu Chi Ming
Ms. Ho Ping
Mr. Xiao Zhe (*appointed on 15 July 2024*)
Ms. Zhou Nan (*resigned on 15 July 2024*)

REMUNERATION COMMITTEE

Mr. Chau Kam Wing
(*Chairman of committee*)
Mr. Siu Chi Ming
Ms. Ho Ping
Mr. Xiao Zhe (*appointed on 15 July 2024*)
Ms. Zhou Nan (*resigned on 15 July 2024*)

NOMINATION COMMITTEE

Mr. Duan Chuan Liang
(*Chairman of committee*)
Mr. Chau Kam Wing
Mr. Siu Chi Ming
Ms. Ho Ping

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 6408, 64/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road, Admiralty
Hong Kong

LEGAL ADVISERS

As to Bermuda law
Conyers Dill & Pearman

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKER

Agricultural Bank of China
Asian Development Bank
Bank of Communications (Hong Kong) Limited
Bank of East Asia
China CITIC Bank

STOCK CODE

855

WEBSITE

www.chinawatergroup.com

● City water supply business

- Serving an estimated population of more than 30 million people
- Water pipelines of approximately 151,000 km

★ Pipeline direct drinking water supply business

- Serving an estimated population over 9.8 million people

■ Environmental protection business

Sewage treatment operation and construction
(including water environmental renovation construction projects)

▲ Drainage operation

FINANCIAL HIGHLIGHTS

	Six months ended		Change
	30 September		
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000	
RESULTS HIGHLIGHTS			
Revenue	5,952,633	6,845,957	(13.0)%
Gross profit	2,286,230	2,523,900	(9.4)%
Profit for the period	1,238,001	1,377,784	(10.1)%
Profit for the period attributable to owners of the Company	755,649	825,896	(8.5)%
Basic earnings per share (HK cents)	46.29	50.60	(8.5)%
Diluted earnings per share (HK cents)	46.29	50.60	(8.5)%
Interim dividend (HK cents)	13	13	–

	As at		Change
	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000	
BALANCE SHEET HIGHLIGHTS AND RATIOS			
Total assets	66,320,111	63,242,070	4.9%
Total liabilities	43,751,404	41,789,528	4.7%
Net assets	22,568,707	21,452,542	5.2%
Net assets per share ¹	8.28	7.83	5.7%
Current ratio	0.80	0.81	
Gearing ratio ²	66.0%	66.1%	

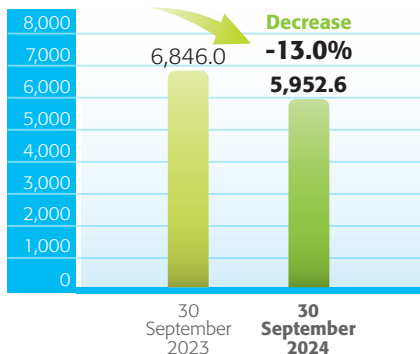
$$^1 \quad \text{Net assets per share} = \frac{\text{Equity attributable to owners of the Company}}{\text{Number of issued shares at period/year end}}$$

$$^2 \quad \text{Gearing ratio} = \frac{\text{Total liabilities}}{\text{Total assets}}$$

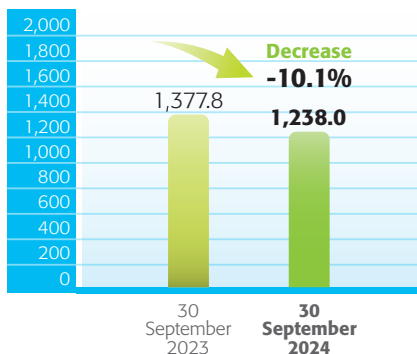
FINANCIAL HIGHLIGHTS

The Group's total revenue and profit for the period:

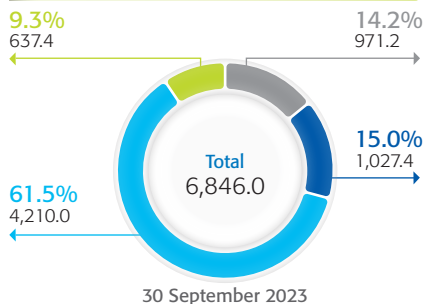
Total revenue (HK\$ million)



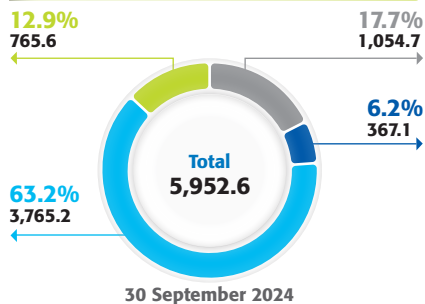
Total profit (HK\$ million)



Total segment revenue (HK\$ million)



Total segment revenue (HK\$ million)



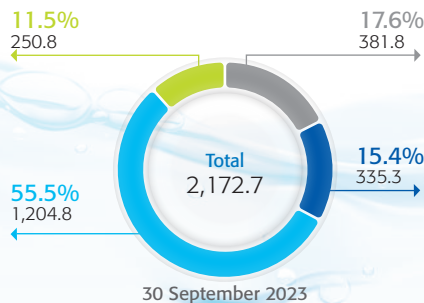
City water supply business

Pipeline direct drinking water supply business

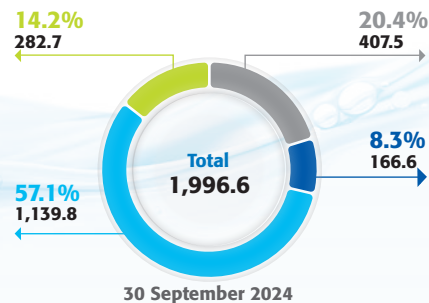
Environmental protection business

Main contractor construction and others

Total segment profit (HK\$ million)



Total segment profit (HK\$ million)



City water supply business

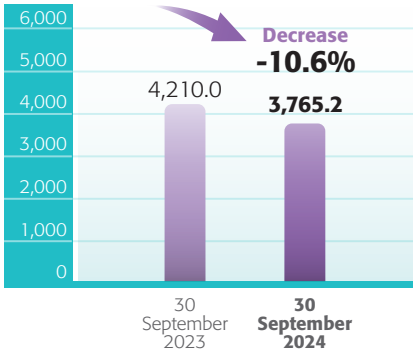
Pipeline direct drinking water supply business

Environmental protection business

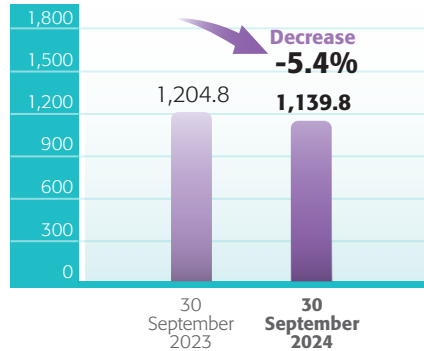
Main contractor construction and others

1. City Water Supply Business Analysis

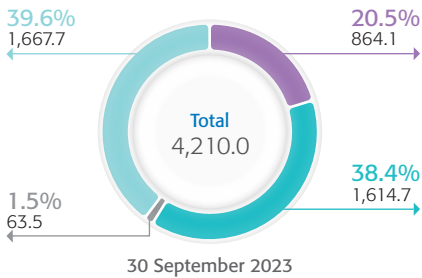
Revenue (HK\$ million)



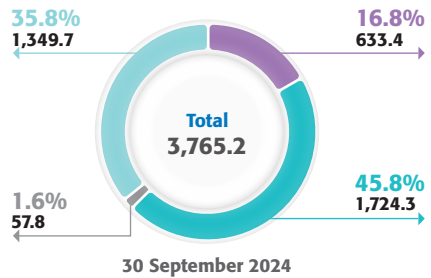
Profit (HK\$ million)



Revenue by nature (HK\$ million)



Revenue by nature (HK\$ million)



City water supply operations

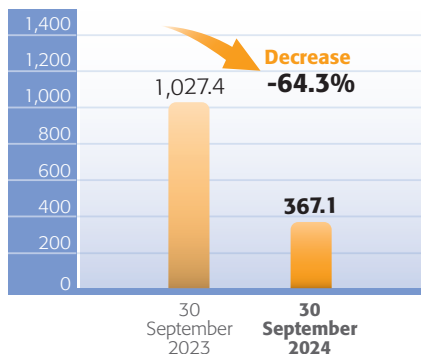
City water supply installation and maintenance services

City water supply construction services

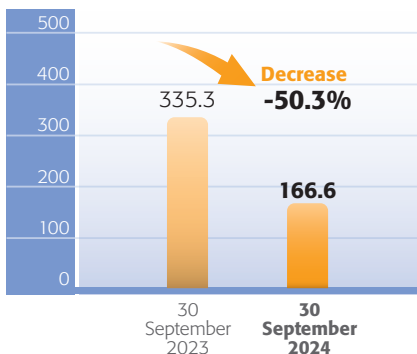
Others

2. Pipeline Direct Drinking Water Supply Business Analysis

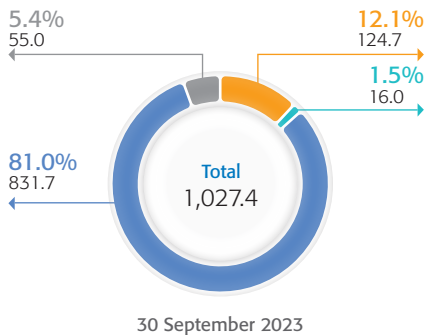
Revenue (HK\$ million)



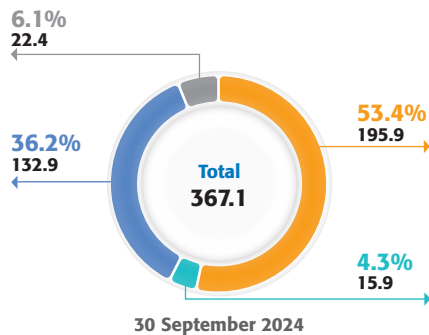
Profit (HK\$ million)



Revenue by nature (HK\$ million)



Revenue by nature (HK\$ million)



Pipeline direct drinking water supply operations

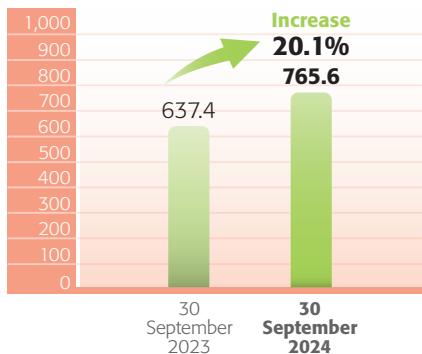
Pipeline direct drinking water supply installation and maintenance services

Pipeline direct drinking water supply construction services

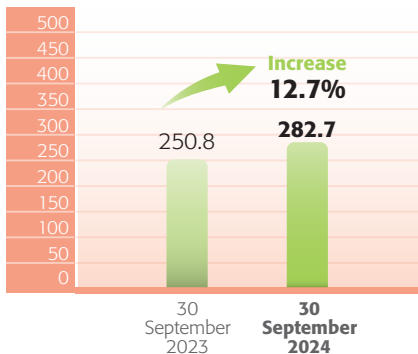
Others

3. Environmental Protection Business Analysis

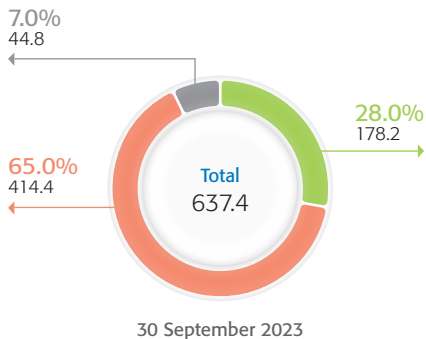
Revenue (HK\$ million)



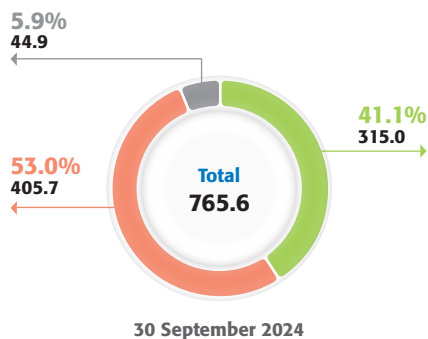
Profit (HK\$ million)



Revenue by nature (HK\$ million)



Revenue by nature (HK\$ million)



Sewage treatment and drainage operations services

Sewage treatment and water environmental renovation construction services

Others

The board of directors (the “Board”) of China Water Affairs Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2024, together with the comparative figures for the corresponding period in 2023, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
	<i>Notes</i>	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Revenue	5	5,952,633	6,845,957
Cost of sales		(3,666,403)	(4,322,057)
Gross profit		2,286,230	2,523,900
Other income, net	5	212,984	192,331
Selling and distribution costs		(83,294)	(128,692)
Administrative expenses		(396,786)	(441,651)
Expected credit loss on trade receivables		-	(19,000)
Operating profit	7	2,019,134	2,126,888
Finance costs	8	(427,334)	(376,570)
Share of results of associates		45,441	41,811
Profit before income tax		1,637,241	1,792,129
Income tax expense	9	(399,240)	(414,345)
Profit for the period		1,238,001	1,377,784

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

		Six months ended 30 September	
		2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
<i>Notes</i>			
Profit for the period attributable to:			
Owners of the Company		755,649	825,896
Non-controlling interests		482,352	551,888
		<u>1,238,001</u>	<u>1,377,784</u>
Earnings per share for profit attributable to owners of the Company during the period			
	10	HK cents	HK cents
Basic		<u>46.29</u>	<u>50.60</u>
Diluted		<u>46.29</u>	<u>50.60</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Profit for the period	1,238,001	1,377,784
Other comprehensive income/(loss)		
<i>Items that have been or may be reclassified subsequently to profit or loss:</i>		
– Currency translation	326,997	(1,613,121)
– Recycling of currency translation differences upon disposal of a subsidiary	–	26
<i>Items that will not be reclassified to profit or loss:</i>		
– Change in fair value of financial assets at fair value through other comprehensive income	5,685	(112,278)
– Share of other comprehensive income of an associate	3,421	1,063
Other comprehensive income/(loss) for the period, net of tax	336,103	(1,724,310)
Total comprehensive income/(loss) for the period	1,574,104	(346,526)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	998,506	(463,887)
Non-controlling interests	575,598	117,361
	1,574,104	(346,526)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	3,573,789	3,422,496
Right-of-use assets	12	1,511,606	1,388,089
Investment properties		1,353,725	1,306,249
Investment in associates	13	2,205,511	2,151,263
Financial assets at fair value through other comprehensive income	14	363,894	345,320
Goodwill		1,381,729	1,371,118
Other intangible assets	12	33,475,528	31,847,158
Prepayments, deposits and other receivables	16	719,492	686,960
Contract assets		2,197,889	1,798,014
Receivables under service concession arrangements		2,068,058	2,049,741
		48,851,221	46,366,408
Current assets			
Properties under development		1,041,240	1,199,731
Properties held for sale		1,070,741	1,049,150
Inventories		730,870	667,498
Contract assets		2,760,236	2,220,961
Receivables under service concession arrangements		146,972	120,796
Trade and bills receivables	15	2,579,362	2,135,973
Financial assets at fair value through profit or loss		460,789	491,668
Amounts due from non-controlling equity holders of subsidiaries		237,747	214,792
Amounts due from associates		390,260	394,240
Prepayments, deposits and other receivables	16	3,018,227	2,830,658
Pledged deposits		342,599	745,396
Cash and cash equivalents		4,689,847	4,804,799
		17,468,890	16,875,662

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at	
		30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
	Notes		
Current liabilities			
Lease liabilities		48,815	38,613
Contract liabilities		986,516	1,069,563
Trade and bills payables	17	7,108,245	6,849,362
Accrued liabilities, deposits received and other payables	18	3,151,140	2,685,314
Amounts due to associates		30,821	21,764
Borrowings	19	7,149,281	6,971,524
Amounts due to non-controlling equity holders of subsidiaries		172,274	126,857
Provision for tax		3,222,103	2,984,412
		21,869,195	20,747,409
Net current liabilities		(4,400,305)	(3,871,747)
Total assets less current liabilities		44,450,916	42,494,661
Non-current liabilities			
Borrowings	19	18,471,514	17,878,737
Lease liabilities		439,969	332,314
Contract liabilities		259,440	254,574
Amounts due to non-controlling equity holders of subsidiaries		913,806	818,436
Deferred government grants		187,532	190,700
Deferred tax liabilities		1,609,948	1,567,358
		21,882,209	21,042,119
Net assets		22,568,707	21,452,542

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at	
		30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
	Notes		
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	16,323	16,323
Reserves		13,494,167	12,770,470
		13,510,490	12,786,793
Non-controlling interests		9,058,217	8,665,749
Total equity		22,568,707	21,452,542

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Net cash inflow from operating activities	715,128	1,153,083
Net cash outflow from investing activities	(1,347,304)	(2,398,625)
Net cash inflow/(outflow) from financing activities	515,020	(169,749)
Decrease in cash and cash equivalents	(117,156)	(1,415,291)
Cash and cash equivalents at beginning of period	4,804,799	6,984,821
Effect of foreign exchange rates, net	2,204	(136,350)
Cash and cash equivalents at end of period	<u>4,689,847</u>	<u>5,433,180</u>
Analysis of balances of cash and cash equivalents		
Bank and cash balances	<u>4,689,847</u>	<u>5,433,180</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company													
	Share capital	Proposed dividend	Share premium	Capital redemption reserve	Contributed surplus	Exchange fluctuation reserve	Share options reserve	Other reserves	Financial assets at fair value through other comprehensive income revaluation reserve	Statutory reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2024 (audited)	16,323	244,848	281,716	3,304	32,373	(1,368,197)	96,808	(2,898)	(107,994)	1,469,423	12,121,287	12,786,793	8,665,749	21,452,542
Transactions with non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	(29,961)	-	-	-	(29,961)	29,359	(602)
Capital injection by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	15,487	15,487
Final dividend approved	-	(244,848)	-	-	-	-	-	-	-	-	-	(244,848)	-	(244,848)
Dividend paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(227,976)	(227,976)
Transactions with owners	-	(244,848)	-	-	-	-	-	(29,961)	-	-	-	(274,809)	(183,130)	(457,939)
Proposed interim dividend	-	212,202	-	-	-	-	-	-	-	-	(212,202)	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	755,649	755,649	482,352	1,238,001
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in fair value of financial assets at fair value through other comprehensive income (note 14(i))	-	-	-	-	-	-	-	-	5,685	-	-	5,685	-	5,685
- Currency translation	-	-	-	-	-	233,751	-	-	-	-	-	233,751	93,246	326,997
- Share of other comprehensive income of an associate	-	-	-	-	-	-	-	2,077	1,344	-	-	3,421	-	3,421
Total comprehensive income for the period	-	-	-	-	-	233,751	-	2,077	7,029	-	755,649	998,506	575,598	1,574,104
Balance at 30 September 2024 (unaudited)	16,323	212,202	281,716	3,304	32,373	(1,134,646)	96,808	(30,782)	(100,965)	1,469,423	12,664,734	13,510,490	9,058,217	22,568,707

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Equity attributable to owners of the Company													
	Share capital HK\$'000	Proposed dividend HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Share options reserve HK\$'000	Other reserves HK\$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK\$'000	Statutory reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 April 2023 (audited)	16,323	293,818	281,716	3,304	32,373	(179,136)	96,808	(74,418)	8,149	1,331,059	11,183,158	12,993,154	8,178,980	21,172,134
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	16,556	16,556
Transactions with non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	2,385	-	-	-	2,385	(129,156)	(126,771)
Capital injection by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	6,651	6,651
Final dividend approved	-	(293,818)	-	-	-	-	-	-	-	-	-	(293,818)	-	(293,818)
Dividend paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(84,047)	(84,047)
Transactions with owners	-	(293,818)	-	-	-	-	-	2,385	-	-	-	(291,433)	(189,796)	(481,229)
Proposed interim dividend	-	212,202	-	-	-	-	-	-	-	-	(212,202)	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	825,896	825,896	551,888	1,377,784
Other comprehensive (loss)/income:														
- Change in fair value of financial assets at fair value through other comprehensive income (note 14(ii))	-	-	-	-	-	-	-	-	(112,278)	-	-	(112,278)	-	(112,278)
- Currency translation	-	-	-	-	-	(1,178,594)	-	-	-	-	-	(1,178,594)	(434,527)	(1,613,121)
- Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	1,063	-	-	1,063	-	1,063
- Recycling of currency translation differences upon disposal of a subsidiary	-	-	-	-	-	26	-	-	-	-	-	26	-	26
Total comprehensive (loss)/income for the period	-	-	-	-	-	(1,178,568)	-	-	(111,215)	-	825,896	(463,887)	117,361	(346,526)
Balance at 30 September 2023 (unaudited)	16,323	212,202	281,716	3,304	32,373	(1,357,704)	96,808	(72,033)	(63,066)	1,331,059	11,796,852	12,237,834	8,106,545	20,344,379

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2024 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 September 2024, the Group’s current liabilities exceeded its current assets by approximately HK\$4,400,305,000 (31 March 2024: HK\$3,871,747,000). The directors of the Company are of the view that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account of the internal financial resources, available loan facilities and offers, and new loan facilities currently under negotiation. The Group had unused loan facilities, offers and notes registered principle amount of approximately HK\$10.7 billion as at 30 September 2024 (31 March 2024: HK\$9,864.1 million). The directors of the Company believe that the Group will be able to renew or extend its existing loan facilities and to drawdown from the unused loan facilities and offers when needed. The Group will also continue to seek new debt financing and bank borrowings at terms acceptable to the Group. The Group therefore continues to adopt the going concern basis in preparing its unaudited interim condensed consolidated financial statements.

2. Principal accounting policies

The principal accounting policies adopted in preparing these interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2024 except for the adoption of the new standards and amendments to HKFRSs issued by the HKICPA that have become effective for accounting period beginning on 1 April 2024.

In the current interim period, the Group has applied the following new standard and amendments to HKFRSs issued by HKICPA:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements
HKFRS 16 (Amendments)	Lease Liability in a Sales and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments to standards adopted by the Group did not have material impact on the Group’s financial position and performance.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of the new and revised standards, amendments or interpretations to the Group but is not yet in a position to state whether they would have material financial impact on the Group’s financial position and performance.

3. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2024.

4. Financial risk management and fair value measurements

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2024.

There have been no changes in the risk management policies since year ended 31 March 2024.

4.2 Fair value estimation

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets that are measured at fair value at 30 September 2024:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through other comprehensive income	1,348	–	362,546	363,894
Financial assets at fair value through profit or loss	–	–	460,789	460,789
Net fair values (unaudited)	<u>1,348</u>	<u>–</u>	<u>823,335</u>	<u>824,683</u>

The following table presents the Group's financial assets that are measured at fair value at 31 March 2024:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through other comprehensive income	1,427	–	343,893	345,320
Financial assets at fair value through profit or loss	–	–	491,668	491,668
Net fair values (audited)	<u>1,427</u>	<u>–</u>	<u>835,561</u>	<u>836,988</u>

There have been no significant transfers between the levels in the reporting periods.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

4.3 Information about Level 3 fair value measurement

The fair value of financial assets at fair value through other comprehensive income was valued by APAC Appraisal and Consulting Limited, an independent firm of professional valuer, or by the Group. The Group used market approach to determine its fair value.

Financial assets at fair value through profit or loss mainly comprise wealth management products and structured deposits issued by various licensed banks in the People's Republic of China (the "PRC"). The Group mainly used income method of discounted cash flows to determine its fair value.

The movements during the period/year in the balance of these Level 3 fair value measurements are as follows:

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Financial assets at fair value through other comprehensive income:		
Opening balance	343,893	373,289
Changes in fair value recognised in other comprehensive income	13,334	(10,989)
Acquisition of subsidiaries	–	733
Additions	1,498	2,315
Exchange realignment	3,821	(21,455)
Ending balance	<u>362,546</u>	<u>343,893</u>
Financial assets at fair value through profit or loss:		
Opening balance	491,668	653,320
Net disposal and changes in fair value of financial assets at fair value through profit or loss	(30,879)	(161,652)
Ending balance	<u>460,789</u>	<u>491,668</u>

5. Revenue and other income

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

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Revenue:		
Point in time		
City water supply operations	1,724,342	1,614,677
Pipeline direct drinking water supply operations	195,857	124,662
Sales of goods	269,652	250,212
Sales of properties	241,334	74,917
Others	97,165	111,078
	2,528,350	2,175,546
Overtime		
City water supply installation and maintenance services	778,962	922,980
Pipeline direct drinking water supply installation and maintenance services	22,420	57,631
City water supply construction services	1,619,811	2,083,743
Pipeline direct drinking water supply construction services	132,881	831,699
Sewage treatment and drainage operations services	314,988	178,182
Sewage treatment and water environmental renovation construction services	412,856	450,469
Hotel and rental income	53,841	56,906
Finance income	28,222	19,981
Handling income	20,821	19,343
Others	39,481	49,477
	3,424,283	4,670,411
Total	5,952,633	6,845,957
Other income, net:		
Interest income	97,418	88,250
Government grants and subsidies (note)	94,689	99,940
Amortisation of deferred government grants	5,261	6,492
Dividend income from financial assets	4,520	3,860
Loss on disposal of a subsidiary	-	(6,515)
Gain/(loss) on disposal of property, plant and equipment, net	234	(1,307)
Gain/(loss) on disposal of right-of-use assets	4,379	(406)
Gain/(loss) on disposal of other intangible assets, net	10	(10)
Miscellaneous income, net	6,473	2,027
Total	212,984	192,331

Note: Government grants and subsidies mainly comprised unconditional subsidies for subsidising the Group's water supply and other businesses.

6. 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".

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

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.

For the period ended 30 September 2024

	City water supply (unaudited) HK\$'000	Pipeline direct drinking water supply (unaudited) HK\$'000	Environmental protection (unaudited) HK\$'000	Main contractor construction (unaudited) HK\$'000	Property development and investment (unaudited) HK\$'000	All other segments (unaudited) HK\$'000	Inter-segment elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
Revenue								
From external customers	3,765,200	367,099	765,620	423,968	252,740	378,006	-	5,952,633
From inter-segment	10,714	1,948	31,485	613,133	-	-	(657,280)	-
Segment revenue	<u>3,775,914</u>	<u>369,047</u>	<u>797,105</u>	<u>1,037,101</u>	<u>252,740</u>	<u>378,006</u>	<u>(657,280)</u>	<u>5,952,633</u>
Segment profit/(loss)	<u>1,139,769</u>	<u>166,552</u>	<u>282,734</u>	<u>398,290</u>	<u>12,899</u>	<u>(3,686)</u>	<u>-</u>	<u>1,996,558</u>
Unallocated corporate income								102,432
Unallocated corporate expense								(79,856)
Finance costs								(427,334)
Share of results of associates	10,869	(223)	34,365	-	-	430	-	45,441
Profit before income tax								1,637,241
Income tax expense								(399,240)
Profit for the period								<u>1,238,001</u>
Total segment assets	<u>35,914,123</u>	<u>4,357,347</u>	<u>6,677,889</u>	<u>2,907,346</u>	<u>4,000,487</u>	<u>3,208,458</u>	<u>-</u>	<u>57,065,650</u>

For the period ended 30 September 2023

	City water supply (unaudited) HK\$'000	Pipeline direct drinking water supply (unaudited) HK\$'000	Environmental protection (unaudited) HK\$'000	Main contractor construction (unaudited) HK\$'000	Property development and investment (unaudited) HK\$'000	All other segments (unaudited) HK\$'000	Inter-segment elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
Revenue								
From external customers	4,210,008	1,027,432	637,413	517,549	85,932	367,623	-	6,845,957
From inter-segment	41,727	4,375	-	1,025,632	-	-	(1,071,734)	-
Segment revenue	<u>4,251,735</u>	<u>1,031,807</u>	<u>637,413</u>	<u>1,543,181</u>	<u>85,932</u>	<u>367,623</u>	<u>(1,071,734)</u>	<u>6,845,957</u>
Segment profit	<u>1,204,834</u>	<u>335,298</u>	<u>250,807</u>	<u>359,814</u>	<u>15,323</u>	<u>6,645</u>	<u>-</u>	<u>2,172,721</u>
Unallocated corporate income								92,547
Unallocated corporate expense								(138,380)
Finance costs								(376,570)
Share of results of associates	12,932	(264)	27,987	-	-	1,156	-	41,811
Profit before income tax								1,792,129
Income tax expense								(414,345)
Profit for the period								<u>1,377,784</u>
Total segment assets	<u>32,184,754</u>	<u>3,363,360</u>	<u>5,128,633</u>	<u>2,480,296</u>	<u>3,951,466</u>	<u>3,148,261</u>	<u>-</u>	<u>50,256,770</u>

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

7. Operating profit

Operating profit is arrived at after charging:

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Depreciation of property, plant and equipment	81,403	74,869
Depreciation of right-of-use assets	43,699	37,151
Amortisation of other intangible assets	457,362	419,886

8. Finance costs

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Interest on bank loans	562,916	527,310
Interest on other loans	153,492	125,963
Interest on amounts due to non-controlling equity holders of subsidiaries	3,174	2,670
Interest on lease liabilities	12,475	9,157
Total borrowing costs	732,057	665,100
Less: interest capitalised included in property, plant and equipment, investment properties, other intangible assets and properties under development	(304,723)	(288,530)
	427,334	376,570

9. Income tax expense

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2023: Nil). Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Current income tax: – the PRC (<i>note</i>)	372,289	394,914
Deferred tax	26,951	19,431
Total income tax expense	399,240	414,345

Note: The provision for PRC current income tax is based on a statutory income tax rate of 25% (2023: 25%) of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries operating in the PRC enjoy a preferential income tax rate of 5% to 15% (2023: 5% to 15%) of their assessable income.

10. 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 period attributable to owners of the Company of HK\$755,649,000 (2023: HK\$825,896,000) and the weighted average of 1,632,322,000 (2023: 1,632,322,000) ordinary shares in issue during the period.

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the financial period ended 30 September 2024 and 2023.

11. Dividend

Dividend attributable to the interim period:

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Interim dividend		
– HK\$0.13 (2023: HK\$0.13) per ordinary share	<u>212,202</u>	<u>212,202</u>

The interim dividends proposed after the reporting date for the financial period ended 30 September 2024 and 2023 were not recognised as a liability at the reporting date.

12. Property, plant and equipment, right-of-use assets and other intangible assets

During the six months ended 30 September 2024, the addition in property, plant and equipment amounted to HK\$195,075,000 (31 March 2024: HK\$412,292,000); right-of-use assets amounted to HK\$15,286,000 (31 March 2024: HK\$180,480,000); and other intangible assets amounted to HK\$1,731,952,000 (31 March 2024: HK\$5,036,665,000).

13. Investment in associates

The movement of the carrying amount of investment in associates for the six months ended 30 September 2024 was as follows:

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	
Opening balance	2,151,263	
Additions	1,389	
Share of profit	45,441	
Share of other comprehensive income	3,421	
Dividend paid	(19,340)	
Exchange realignment	<u>23,337</u>	
Ending balance	<u>2,205,511</u>	

14. Financial assets at fair value through other comprehensive income

(i) *Equity investments at fair value through other comprehensive income*

	Original currency	As at	
		30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Listed equity securities in Hong Kong	HK\$	1,348	1,427
Unlisted equity securities outside Hong Kong	RMB	362,546	343,893
		363,894	345,320

(ii) *Amount recognised in consolidated income statement and other comprehensive income*

During the period, the following gain/(loss) was recognised in profit or loss and other comprehensive income.

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Change in fair value of financial assets at fair value through other comprehensive income	5,685	(112,278)
Dividend income from financial assets (<i>note 5</i>)	4,520	3,860

15. Trade and bills receivables

The ageing analysis of trade and bills receivables based on the invoice dates is as follows:

	As at	
	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
0 to 90 days	1,388,369	1,092,879
91 to 180 days	324,841	275,241
Over 180 days	866,152	767,853
	2,579,362	2,135,973

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 transactions.

16. Prepayments, deposits and other receivables

	Notes	As at	
		30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Non-current			
Prepayments	(i)	387,483	403,610
Other receivables		332,009	283,350
		719,492	686,960
Current			
Prepayments		544,072	488,637
Other receivables	(ii)	2,474,155	2,342,021
		3,018,227	2,830,658

Notes:

- (i) The balances mainly represented the prepayments for construction services.
- (ii) The balances mainly represented receivables from customers for various municipal service charges on behalf of certain government authorities in the PRC; receivables from certain government authorities for funds advancements; and various other receivables.

The directors of the Company consider that the fair values of current portion of other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

17. Trade and bills payables

The ageing analysis of trade and bills payables based on the invoice dates is as follows:

	As at	
	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
0 to 90 days	3,621,182	3,510,096
91 to 180 days	1,165,697	1,183,315
Over 180 days	2,321,366	2,155,951
	<u>7,108,245</u>	<u>6,849,362</u>

The credit terms of trade and bills payables vary according to the terms agreed with different suppliers.

As at 30 September 2024, the bills payables of HK\$422,137,000 (31 March 2024: HK\$796,410,000) were secured by the pledged bank deposits of HK\$129,259,000 (31 March 2024: HK\$489,921,000).

18. Accrued liabilities, deposits received and other payables

	As at	
	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Accrued liabilities	391,966	363,278
Deposits received	105,003	96,417
Other payables (<i>note</i>)	2,654,171	2,225,619
	<u>3,151,140</u>	<u>2,685,314</u>

Note: Other payables mainly included various municipal service charges received on behalf of certain government authorities in the PRC of HK\$629,979,000 (31 March 2024: HK\$701,608,000), payables for other PRC tax surcharges and construction costs, and payables for the Company's final dividend of HK\$244,848,000 (31 March 2024: interim dividend of HK\$212,202,000).

19. Borrowings

	Original currency	As at	
		30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Current			
Bank loans – unsecured	RMB	2,903,978	2,471,346
Bank loans – secured	RMB	1,520,242	1,885,819
Bank loans – unsecured	USD	1,021,679	789,679
Bank loans – unsecured	HK\$	1,306,750	1,406,750
Other loans – unsecured	RMB	6,667	6,594
Other loans – secured	RMB	256,246	279,505
Other loans – secured	USD	91,765	91,764
Government loans – unsecured	RMB	41,954	40,067
		7,149,281	6,971,524
Non-current			
Bank loans – unsecured	RMB	1,488,012	1,826,794
Bank loans – secured	RMB	7,310,732	6,655,908
Bank loans – unsecured	USD	4,520,734	4,680,313
Bank loans – unsecured	HK\$	100,000	100,000
Other loans – unsecured	RMB	626,103	71,971
Other loans – unsecured	USD	3,251,972	3,241,023
Other loans – secured	RMB	846,264	928,613
Other loans – secured	USD	310,606	355,014
Government loans – unsecured	RMB	17,091	19,101
		18,471,514	17,878,737
		25,620,795	24,850,261

20. Pledge of assets

Details of the pledge of assets of the Group for securing certain loan facilities and bills payables at 30 September 2024 were as follows:

- (a) pledge of water and sewage treatment revenue of certain subsidiaries;
- (b) charges over shares of certain subsidiaries of the Group;
- (c) charges over property, plant and equipment in which their aggregate carrying amount as at 30 September 2024 was HK\$1,317,961,000 (31 March 2024: HK\$1,347,149,000);
- (d) charges over right-of-use assets in which their aggregate carrying amount as at 30 September 2024 was HK\$341,079,000 (31 March 2024: HK\$339,674,000);
- (e) charges over investment properties in which their aggregate carrying amount as at 30 September 2024 was HK\$1,345,195,000 (31 March 2024: HK\$1,170,230,000);
- (f) charges over other intangible assets in which their aggregate carrying amount as at 30 September 2024 was HK\$1,438,325,000 (31 March 2024: HK\$1,886,094,000);
- (g) charges over properties held for sale in which their aggregate carrying amount as at 30 September 2024 was HK\$298,763,000 (31 March 2024: HK\$295,480,000);
- (h) charges over the financial assets at fair value through other comprehensive income in which their aggregate carrying amount as at 30 September 2024 was HK\$234,444,000 (31 March 2024: HK\$218,681,000);
- (i) charges over the Group's bank deposits in amount of HK\$342,599,000 as at 30 September 2024 (31 March 2024: HK\$745,396,000); and
- (j) charges over receivables under services concession arrangements in which their aggregate carrying amount as at 30 September 2024 was HK\$205,109,000 (31 March 2024: HK\$139,093,000).

21. Share capital

	Number of shares '000	Par value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 30 September 2024 and 31 March 2024	<u>20,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 March 2023 (audited),		
31 March 2024 (audited) and		
at 30 September 2024 (unaudited)	<u>1,632,322</u>	<u>16,323</u>

22. Related party transactions

In addition to the transactions and balances disclosed elsewhere in this interim report, the Group had the following material related party transactions during the interim period:

(a) *Compensation of key management personnel of the Group:*

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Total remuneration of directors and other members of key management during the period		
– Short term employee benefits	13,085	13,358
– Retirement scheme contribution	363	310
	<u>13,448</u>	<u>13,668</u>

(b) Sales to an associate:

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Sales to an associate	7,136	27,031

The Group provided construction services of approximately HK\$7,136,000 (2023: HK\$27,031,000) to subsidiaries of Kangda International Environmental Company Limited, an associate of the Group. The services were made with reference to the terms negotiated between both parties.

(c) Purchases from a connected subsidiary:

	Six months ended 30 September	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Purchases from a connected subsidiary	15,705	23,156

The Group purchased the pipeline direct drinking system related equipment and services of approximately HK\$15,705,000 (2023: HK\$23,156,000) from 江西銀麗直飲水設備有限公司 (Jiangxi Yinli Direct Drinking Equipment Co. Ltd.) ("Jiangxi Yinli"). The purchases were made in accordance with the terms of respective agreements. Jiangxi Yinli is a non-wholly owned subsidiary of the Company and ORIX China Investment Corporation ("ORIX CHINA") holds 20% of the equity interest in Jiangxi Yinli. ORIX CHINA is a subsidiary of ORIX Corporation which is a substantial shareholder of the Company. Jiangxi Yinli therefore is a connected subsidiary of the Company. The transactions also constituted continuing connected transactions as defined in Chapter 14A of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of which were disclosed in the Company's announcement dated 28 February 2020 and 16 February 2023.

23. Commitments*(i) Capital commitments*

At the reporting date, the Group had the following capital commitments:

	As at	
	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Contracted, but not provided for		
– Other intangible assets	300,029	339,034
– Property, plant and equipment	11,128	6,241
	311,157	345,275

(ii) Operating lease arrangement

The Group leases its investment properties under operating lease arrangements for terms ranging from one to twenty years. Certain leases contain an option to renew the lease and renegotiate the terms at the expiry dates or at dates mutually agreed between the Group and the lessees. None of the leases include contingent rentals.

At the reporting date, the Group had total future minimum lease receipts under non-cancellable operating leases falling due as follows:

	As at	
	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Within one year	21,469	22,239
In the second to fifth years, inclusive	20,682	12,999
After five years	4,538	4,992
	46,689	40,230

24. Contingent liabilities

At the reporting date, the Group had no material contingent liabilities.

BUSINESS REVIEW, CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.13 per ordinary share (2023: HK\$0.13 per ordinary share) for the six months ended 30 September 2024. The interim dividend is expected to be paid on or about Friday, 16 May 2025 to the shareholders whose names appear on the register of members on Friday, 24 January 2025.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 January 2025 to Friday, 24 January 2025 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the interim dividend for the six months ended 30 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 21 January 2025.

BUSINESS REVIEW

The Group's total revenue decreased from HK\$6,846.0 million for the six months ended 30 September 2023 to HK\$5,952.6 million for the six months ended 30 September 2024, representing a decrease of 13.0%. The Group optimised its development strategy to enhance project management on core business. The Group put more emphasis on the return of projects and allocated resources by prioritising projects with the best return which in turn led to slowdown in the construction activities and thus decline in relevant construction revenue. For the period under review, the total revenue attributable to the "City water supply", "Pipeline direct drinking water supply" and "Environmental protection" segments decreased from HK\$5,874.9 million to HK\$4,897.9 million. This represented a decrease of segments revenue by 16.6%, which was mainly because of overall decrease in installation and maintenance and construction works in "City water supply", "Pipeline direct drinking water supply" and "Environmental protection" segments during the period.

(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 period under review, the revenue from city water supply segment amounted to HK\$3,765.2 million (2023: HK\$4,210.0 million), representing a decrease of 10.6% as compared with the last corresponding period. The city water supply segment profit amounted to HK\$1,139.8 million (2023: HK\$1,204.8 million), representing a decrease of 5.4% as compared with the last corresponding period. This was mainly because of overall decrease in installation and maintenance and construction works during the period.

(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 period under review, the revenue from pipeline direct drinking water supply segment amounted to HK\$367.1 million (2023: HK\$1,027.4 million), representing a decrease of 64.3% as compared with the last corresponding period. The pipeline direct drinking water supply segment profit amounted to HK\$166.6 million (2023: HK\$335.3 million), representing a decrease of 50.3% as compared with the last corresponding period. This was mainly because of overall decrease in installation and maintenance and construction works during the period.

(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 period under review, the revenue from environmental protection segment amounted to HK\$765.6 million (2023: HK\$637.4 million), representing an increase of 20.1% as compared with the last corresponding period. The environmental protection segment profit amounted to HK\$282.7 million (2023: HK\$250.8 million), representing an increase of 12.7% as compared with the last corresponding period. This was mainly attributable to an increase of sewage treatment operation services from new sewage treatment projects in current period.

(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 period under review, the revenue from external customers of the main contractor construction segment amounted to HK\$424.0 million (2023: HK\$517.5 million), representing a decrease of 18.1% as compared with the last corresponding period. The main contractor construction segment profit amounted to HK\$398.3 million (2023: HK\$359.8 million), representing an increase of 10.7% as compared with the last corresponding period, which was mainly due to the increase of overall gross profit margin of construction work for water supply and sewage treatment projects in current period.

(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 period under review, the revenue from the property business segment amounted to HK\$252.7 million (2023: HK\$85.9 million). The total property business segment profit amounted to HK\$12.9 million (2023: HK\$15.3 million), representing a decrease of 15.8% as compared with the last corresponding period. This was mainly due to the decrease of profit margin in sales of property projects in current period.

For the period 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\$34.3 million (2023: HK\$25.6 million).

UPDATE ON THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF SILVER DRAGON WATER SUPPLY GROUP LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE

Reference is made to the announcements of the Company dated 17 December 2021, 28 June 2023 and 11 September 2024 in relation to the proposed spin-off and separate listing of the shares of Silver Dragon Water Supply Group Limited, a subsidiary of the Company, on the Main Board of the Stock Exchange (the "Proposed Spin-off").

After careful consideration of the Group's development strategy and the recent capital market environment, the Company has decided to halt the plan for the Proposed Spin-off. The Board considers that the suspension of the Proposed Spin-off will not have a material adverse effect on the financial position or operation of the Company.

PROSPECTS

As we enter 2024, the Mainland economy is facing various challenges such as slowing exports and insufficient domestic demand due to the complex and volatile international political and economic situation, coupled with an increasingly uncertain market environment, nevertheless the overall fundamentals are still steady. Since late September, the Central Government has launched a series of monetary and fiscal stimulus policies to further stabilise the economy and expand domestic demand. Market expectations for the future recovery of government procurements and the consumer market have strengthened. As a public utility company dedicated to water development, the Group's core business has been performing steadily and generating stable cash flow, demonstrating strong resilience amid the unstable market conditions. In addition, the Group has been providing upgraded pipeline direct drinking water services to the society through high-quality development, which enabled the Group to improve the quality of its pipeline drinking water that is not only safe to drink, but also healthy, thereby meeting the public's demand for high quality of life while promoting the effective improvement of the business in terms of quality and the reasonable growth of the business in terms of quantity.

China has also recently promulgated policies to facilitate the formation of a market-based water pricing mechanism. Since under the current low-inflation macro-environment, and with current water tariff adjustments lagging behind the cost of recovery as stipulated by the policies, it has become a general market consensus to increase the water tariff; coupled with the beginning of an interest rate reduction cycle both internally and externally, all of which will be favourable to return of profitability for water companies, and help to drive the healthy and sustainable growth of water supply companies.

Looking forward, the Group will adhere to its principle of “Water-oriented, Kindness to Society”, continue to focus on its core business of dual water supply, fully leverage on the synergies between its water supply and pipeline direct drinking water businesses, optimise its development strategy, reduce capital expenditure, enhance management and investment efficiencies, and achieve a sustainable development model that combines light and heavy assets to generate good returns for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2024, the Group maintained a satisfactory liquidity level. As at 30 September 2024, the Group has total cash and cash equivalents and pledged deposits of approximately HK\$5,032.4 million (31 March 2024: HK\$5,550.2 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 66.0% (31 March 2024: 66.1%) as at 30 September 2024.

As at 30 September 2024, the Group’s current liabilities exceeded its current assets by HK\$4,400.3 million (31 March 2024: net current liabilities of HK\$3,871.7 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) capital expenditure for the ongoing construction projects of non-current nature during the six months ended 30 September 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 30 September 2024, the Group’s aggregate outstanding borrowings amounted to HK\$25,620.8 million (31 March 2024: HK\$24,850.3 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. 71.3% of such outstanding borrowings was arranged on floating rate basis and the balance of 28.7% was at fixed rate basis. According to the repayment schedule, HK\$7,149.3 million was repayable within one year and the balance of HK\$18,471.5 million was repayable after one year. As at 30 September 2024, the total unutilised loan facilities, offers and notes registered principle amount available to the Group amounted to HK\$10.7 billion (31 March 2024: HK\$9,864.1 million).

During the period 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.

HUMAN RESOURCES

As at 30 September 2024, the Group has employed approximately 11,400 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 period ended 30 September 2024, no option was granted by the Company pursuant to the share option scheme.

TREASURY AND FOREIGN EXCHANGE RISK MANAGEMENT

The Group adopted conservative treasury policies in cash and financial management for the period 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

At 30 September 2024, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Duan Chuan Liang (Notes (i)&(ii))	Corporate and personal	471,036,301	–	28.86%
Ms. Ding Bin	Personal	5,700,000	–	0.35%
Mr. Li Zhong (Notes (iii))	Personal	37,813,457	–	2.32%
Ms. Wang Xiaojin	Personal	8,950,000	–	0.55%
Ms. Liu Yu Jie	Personal	12,000,000	–	0.74%
Ms. Ho Ping	Personal	978,000	–	0.06%

Shares of Kangda International Environmental Company Limited ("Kangda International"), an associated corporation of the Company

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in Kangda International
		Long position	Short position	
Mr. Li Zhong	Personal	10,000,000	–	0.47%
Ms. Liu Yu Jie	Personal	10,000,000	–	0.47%
Mr. Duan Jerry Linnan	Personal	10,000,000	–	0.47%
Mr. Chau Kam Wing	Personal	2,000,000	–	0.09%

Underlying shares of Kangda International (Note (iv))

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in Kangda International
		Long position	Short position	
Mr. Li Zhong	Personal	16,000,000	–	0.75%
Ms. Liu Yu Jie	Personal	16,000,000	–	0.75%
Mr. Duan Jerry Linnan	Personal	16,000,000	–	0.75%
Mr. Chau Kam Wing	Personal	2,000,000	–	0.09%

Notes:

- (i) These 471,036,301 shares consist of 218,044,301 shares held by Asset Full Resources Limited (“AFRL”), which is wholly and beneficially owned by Mr. Duan Chuan Liang, and 252,992,000 shares held by Mr. Duan Chuan Liang personally.
- (ii) Mr. Duan Chuan Liang and AFRL are also interested in USD8,265,000 senior notes of the Company due May 2026.
- (iii) These 37,813,457 shares consist of 8,606,000 shares held by Mr. Li Zhong and 29,207,457 shares held by his spouse, Ms. Lu Hai personally.
- (iv) Being share options pursuant to share option scheme to acquire ordinary shares of Kangda International, and further details of which are set out in the section headed “Share Option Scheme” in the published interim report of Kangda International for the period ended 30 June 2024.

Other than as disclosed above, none of the directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO including interests or short positions which the directors and the chief executives were taken or deemed to have under the provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Share Option Scheme”) for a term of 10 years on 9 September 2022. During the six months ended 30 September 2024, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme. As at 1 April 2024 and 30 September 2024, no share option was outstanding under the Share Option Scheme. As at the date of this interim report, 163,232,234 ordinary shares of the Company are available for issue under the Share Option Scheme, representing 10% of the issued shares of the Company.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2024, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name of shareholder	Capacity/ Nature of interest	Number of shares			Approximate percentage of shareholding in the Company		
		Long position	Short position	Lending pool	Long position	Short position	Lending pool
Mr. Duan Chuan Liang	Beneficial	471,036,301	-	-	28.86%	-	-
Asset Full Resources Limited (Note)	Beneficial	218,044,301	-	-	13.36%	-	-
ORIX Corporation	Beneficial	322,364,277	-	-	19.75%	-	-

Note: These shares are beneficially owned by AFRL, a company incorporated in the British Virgin Islands, whose entire issued capital is wholly and beneficially owned by Mr. Duan Chuan Liang, the Chairman and executive director of the Company.

Save as disclosed above, as at 30 September 2024, so far as is known to any director or chief executive of the Company, no person (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 six months ended 30 September 2024, the Company has complied with all the applicable provisions of the Corporate Governance Code ("CG Code") as set out in Appendix C1 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 9 September 2024 due to their other business commitments.

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 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 six months ended 30 September 2024 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2024. Subsequent to the reporting date and up to the date of this interim report, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price	Lowest price	Aggregate consideration (excluding expenses)
		per share HK\$	per share HK\$	HK\$
October 2024	380,000	5.17	4.90	1,918,000

Subsequent to the reporting date and up to the date of this interim report, the Company repurchased a total of 380,000 ordinary shares of HK\$0.01 each in the capital of the Company at an aggregate price of approximately HK\$1,918,000. Those repurchased shares were held as treasury shares as at the date of this interim report.

The purchase of the Company's shares was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting.

AUDIT COMMITTEE

The Audit Committee which comprises the four independent non-executive directors of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2024 with the directors.

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

Hong Kong, 29 November 2024

As at the date of this report, 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. Li Hao, 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 Mr. Xiao Zhe.