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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 2009

RESULTS

The Board of Directors (the "Directors") of China Water Affairs Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Continuing operations			
Revenue	4	**1,033,199**	765,538
Cost of sales		**(712,430)**	(498,531)
Gross profit		**320,769**	267,007
Other income	4	**66,702**	64,263
Selling and distribution costs		**(34,745)**	(21,098)
Administrative expenses		**(195,132)**	(131,461)
Equity-settled share options expenses		**(26,666)**	(49,526)
Other operating expenses		**(4,600)**	(9,626)
Valuation surplus on investment properties		**225,511**	104,987
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(73,673)**	279,264
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds and warrants)		**38,120**	(66,092)
Impairment loss on available-for-sale financial assets		**(109,032)**	(73,457)
Gain on repurchase of convertible bonds		**187,910**	–

	Notes	2009 HK$'000	2008 HK$'000
Profit from operation	5	**395,164**	364,261
Finance costs	6	**(85,223)**	(67,421)
Share of result of an associate		**16,692**	13,644
Share of result of a jointly-controlled entity		**(16)**	–
Profit before income tax		**326,617**	310,484
Income tax expense	7	**(97,943)**	(135,111)
Profit for the year from continuing operations		**228,674**	175,373
Discontinued operation			
Profit for the year from a discontinued operation		**–**	344,631
Profit for the year		**228,674**	520,004
Attributable to :			
Equity holders of the Company		**115,037**	427,242
Minority interests		**113,637**	92,762
Profit for the year		**228,674**	520,004
Dividends	8	**36,206**	–
Earnings per share for profit attributable to equity holders of the Company during the year	9	***HK cents***	*HK cents*
Basic			
– For profit for the year		**9.39**	34.62
– For profit from continuing operations		**9.39**	6.34
Diluted			
– For profit for the year		**9.12**	34.15
– For profit from continuing operations		**9.12**	6.26

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,961,865**	1,304,053
Prepaid land lease payments		**222,813**	192,152
Investment properties		**670,900**	276,978
Interest in an associate		**103,580**	99,088
Interest in a jointly-controlled entity		**13,414**	–
Investment in debt securities		**56,497**	132,414
Other financial assets		**456,701**	359,888
Goodwill		**155,126**	103,634
Other intangible assets		**172,771**	145,502
Deposits and prepayments		**119,257**	364,168
		3,932,924	2,977,877
Current assets			
Properties under development		**115,219**	21,747
Inventories		**46,013**	39,596
Trade receivables	10	**337,318**	355,882
Amounts due from grantors for contract work		**52,797**	–
Other financial assets		**132,896**	296,314
Due from minority equity holders of subsidiaries		**31,208**	18,427
Prepayments, deposits and other receivables		**257,404**	188,659
Conversion options embedded in convertible bonds		**61,984**	69,824
Pledged deposits		**31,587**	35,333
Cash and cash equivalents		**546,067**	422,773
		1,612,493	1,448,555

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Current liabilities			
Trade payables	11	**261,134**	164,792
Amounts due to customers for contract work		**14,665**	20,668
Accrued liabilities, deposits received and other payables		**578,697**	340,965
Borrowings		**332,800**	181,892
Due to minority equity holders of subsidiaries		**109,497**	229,657
Due to a jointly-controlled entity		**13,970**	–
Provision for tax		**83,940**	67,951
Derivative financial instruments		**6,339**	94,635
Warrants		**552**	–
		1,401,594	1,100,560
Net current assets		**210,899**	347,995
Total assets less current liabilities		**4,143,823**	3,325,872
Non-current liabilities			
Borrowings		**1,011,367**	381,417
Deferred government grants		**28,309**	14,518
Convertible bonds		**235,530**	590,250
Deferred tax liabilities		**180,780**	113,343
		1,455,986	1,099,528
Net assets		**2,687,837**	2,226,344
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**12,069**	12,398
Proposed final dividend		**36,206**	–
Reserves		**1,827,885**	1,745,186
		1,876,160	1,757,584
Minority interests		**811,677**	468,760
Total equity		**2,687,837**	2,226,344

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, certain financial assets, derivative financial instruments (including conversion options embedded in convertible bonds) and warrants which are stated at fair values.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2008.

HK (IFRIC) – Int 12	Service Concession Arrangements
HKAS 39 (Amendments)	Reclassification of Financial Assets

Except for HK(IFRIC) – Int 12 Service Concession Arrangements, the adoption of these new interpretations and amendments has had no significant financial effect on these financial statements. The principal effects of adopting HK(IFRIC) – Int 12 Service Concession Arrangements are as follows :

HK(IFRIC) – Int 12 requires an operator under public-to-private concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC) – Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

The Group is the operator under certain transfer-operate-transfer ("TOT") and build-operate-transfer ("BOT") arrangements in respect of its water supply and sewage treatment businesses. Upon the adoption of HK(IFRIC) – Int 12, this interpretation has had no significant impact on the financial position or results of operations of the Group in respect of its TOT arrangements in prior years. Accordingly, no prior period adjustment is required.

In accordance with HK(IFRIC) – Int 12, the Group accounts for revenue and costs relating to construction or upgrade services of the infrastructure in respect of its BOT arrangements in accordance with HKAS 11 Construction Contracts. In accordance with HKAS 11, when the outcome of a construction contract can be estimated reliably, revenue from construction services is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Considerations received or receivable by the Group for the construction or update services are recognised at their fair values as financial assets or intangible assets based on the terms of the contractual arrangements. A financial asset is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality or efficiency requirements. An intangible asset is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. For financial assets recognised, they are reduced when payments from grantors are received. Finance income on the financial assets is recognised using an estimate of the grantors' incremental borrowing rates of interest. For intangible asset recognised, it is amortised on a straight-line basis over its estimated useful life.

Borrowing costs incurred for the construction and update services are not capitalised and are expensed in the period in which they are incurred, except for those which are capitalised and included as intangible assets.

The effect of HK(IFRIC) – Int 12 is summarised below:

	Group
	HK$'000
Consolidated income statement for the year ended 31 March 2009	
Increase in revenue	**84,763**
Increase in cost of sales	**(76,355)**
Increase in amortisation of other intangible assets	**(2,106)**
Decrease in finance costs	**127**
Increase in income tax expense	**(1,375)**
Increase in net profit	**5,054**
Increase in basic earnings per share (HK cents)	**0.41**
Increase in diluted earnings per share (HK cents)	**0.39**
Consolidated balance sheet and equity at 31 March 2009	
Decrease in property, plant and equipment	**(48,167)**
Increase in other intangible assets	**1,799**
Increase in amounts due from grantors for contract work	**52,797**
Increase in deferred tax liabilities	**(1,375)**
	5,054
Increase in reserves (retained earnings)	**5,054**

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Eligible Hedged Items [2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate [1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) – Int 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives [6]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation [4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [2]
HK(IFRIC) – Int 18	Transfer of Assets from Customers [5]
Various	Annual Improvements to HKFRS 2008 [7]
Various	Annual Improvements to HKFRS 2009 [8]

Notes :

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for transfer received on or after 1 July 2009
[6] Effective for annual periods ending on or after 30 June 2009
[7] Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS
[8] Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The directors of the Company are in the progress of identifying reportable operating segments as defined in HKFRS 8.

The directors of the Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's businesses segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the business segments are as follows :

(i) "Water" segment, which is presented as "City water supply operation and construction" and "Sewage treatment operation and construction" segments, involves the provision of water supply and sewage treatment operation and construction services (including the TOT and BOT arrangements);

(ii) "Property development and investment" segment involves development of properties for sale and investment in properties for capital appreciation;

(iii) "Other infrastructure construction" segment involves construction of road and other municipal works;

(iv) "Concrete products and others" segment involves manufacture and sale of concrete products and others; and

(v) "Sea buckthorn related business" segment, which was disposed of during the year ended 31 March 2008, involves cultivation, manufacture and sale of sea buckthorn seedling and sea buckthorn based products.

Business segments

For the financial year ended 31 March 2009

	Continuing operations						Discontinued operation		
	City water supply operation and construction	Sewage treatment operation and construction	Property development and investment	Other infrastructure construction	Concrete products and others	Total	Sea buckthorn related business	Inter-segment elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue									
External customers	385,894	29,586	–	191,920	101,993	709,393	–	–	709,393
Construction and installation income	271,009	52,024	–	–	–	323,033	–	–	323,033
Finance income	–	773	–	–	–	773	–	–	773
Inter-segment revenue	22,677	–	–	–	51,066	73,743	–	(73,743)	–
Revenue	679,580	82,383	–	191,920	153,059	1,106,942	–	(73,743)	1,033,199
Other income	41,232	–	–	10	502	41,744	–	–	41,744
Total	720,812	82,383	–	191,930	153,561	1,148,686	–	(73,743)	1,074,943
Segment results	150,719	16,818	225,419	36,075	10,352	439,383	–	–	439,383
Interest income									5,161
Unallocated corporate income									19,797
Unallocated corporate expense									(85,836)
Equity-settled share options expenses									(26,666)
Fair value loss on financial assets at fair value through profit or loss									(73,673)
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds and warrants)									38,120
Impairment loss on available-for-sale financial assets									(109,032)
Gain on repurchase of convertible bonds									187,910
Profit from operation									395,164
Finance costs									(85,223)
Share of result of an associate	16,692								16,692
Share of result of a jointly-controlled entity									(16)
Profit before income tax									326,617
Income tax expense									(97,943)
Profit for the year									228,674

As at 31 March 2009

	Continuing operations						Discontinued operation	
	City water supply operation and construction	Sewage treatment operation and construction	Property development and investment	Other infrastructure construction	Concrete products and others	Total	Sea buckthorn related business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	2,657,931	212,849	342,429	742,085	141,507	4,096,801	–	4,096,801
Interest in an associate	103,580	–	–	–	–	103,580	–	103,580
	2,761,511	212,849	342,429	742,085	141,507	4,200,381	–	4,200,381
Unallocated corporate assets								1,345,036
Consolidated total assets								5,545,417
LIABILITIES								
Segment liabilities	514,470	34,748	42,188	196,041	38,636	826,083	–	826,083
Unallocated corporate liabilities								2,031,497
Consolidated total liabilities								2,857,580
Other segment information								
Depreciation and amortisation	87,089	291	19	107	8,071	95,577	–	95,577
Amortisation of deferred government grants	(1,274)	(20)	–	–	–	(1,294)	–	(1,294)
Amortisation of other intangible assets	2,359	5,897	–	–	–	8,256	–	8,256
Capital expenditure	352,735	2,897	264	1,867	5,087	362,850	–	362,850
(Gain)/Loss on disposal of property, plant and equipment	(11)	–	–	–	138	127	–	127
Gain on disposal of land use rights	(345)	–	–	–	–	(345)	–	(345)
Write off on property, plant and equipment	211	–	–	–	95	306	–	306
Valuation surplus on investment properties	–	–	225,511	–	–	225,511	–	225,511
Inventories written off	36	–	–	–	–	36	–	36
Impairment loss on amounts due from former subsidiaries	694	–	–	–	–	694	–	694
Trade receivables written off	3,721	–	–	–	1,773	5,494	–	5,494

Business segments
For the financial year ended 31 March 2008

	Continuing operations						Discontinued operation	
	City water supply operation and construction	Sewage treatment operation and construction	Property development and investment	Other infrastructure construction	Concrete products and others	Total	Sea buckthorn related business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
External customers	255,204	26,760	–	281,918	73,000	636,882	6,960	643,842
Installation income	128,650	–	–	–	6	128,656	–	128,656
Revenue	383,854	26,760	–	281,918	73,006	765,538	6,960	772,498
Other income	11,819	22	–	–	1,290	13,131	922	14,053
Total	395,673	26,782	–	281,918	74,296	778,669	7,882	786,551
Segment results	79,791	13,772	103,989	85,115	1,410	284,077	(8,639)	275,438
Interest income								16,487
Unallocated corporate income								38,011
Unallocated corporate expense								(64,452)
Fair value gain on financial assets at fair value through profit or loss								279,264
Equity-settled share options expenses								(49,526)
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds)								(66,092)
Impairment loss on available-for-sale financial assets								(73,457)
Gain on disposal of subsidiaries							353,219	353,219
Profit from operation								708,892
Finance costs								(67,421)
Share of result of an associate	13,644							13,644
Profit before income tax								655,115
Income tax expense								(135,111)
Profit for the year								520,004

As at 31 March 2008

	Continuing operations						Discontinued operation	
	City water supply operation and construction *HK$'000*	Sewage treatment operation and construction *HK$'000*	Property development and investment *HK$'000*	Other infrastructure construction *HK$'000*	Concrete products and others *HK$'000*	Total *HK$'000*	Sea buckthorn related business *HK$'000*	Consolidated *HK$'000*
ASSETS								
Segment assets	1,887,011	144,602	304,461	385,525	98,265	2,819,864	–	2,819,864
Interest in an associate	99,088	–	–	–	–	99,088	–	99,088
	1,986,099	144,602	304,461	385,525	98,265	2,918,952	–	2,918,952
Unallocated corporate assets								1,507,480
Consolidated total assets								4,426,432
LIABILITIES								
Segment liabilities	341,818	7,117	11,197	134,529	27,018	521,679	–	521,679
Unallocated corporate liabilities								1,678,409
Consolidated total liabilities								2,200,088
Other segment information								
Depreciation and amortisation	59,525	–	–	40	6,727	66,292	1,026	67,318
Amortisation of deferred government grants	(950)	–	–	–	–	(950)	–	(950)
Amortisation of other intangible assets	200	5,562	–	–	–	5,762	–	5,762
Capital expenditure	504,240	1,080	3	–	52,858	558,181	13,244	571,425
Loss on disposal of property, plant and equipment	395	–	–	–	–	395	–	395
Gain on disposal of land use rights	(181)	–	–	–	–	(181)	–	(181)
Write off on property, plant and equipment	7	–	–	–	319	326	–	326
Valuation surplus on investment properties	–	–	104,987	–	–	104,987	–	104,987
Inventories written off	348	–	–	–	–	348	–	348
Impairment loss on other receivables	197	–	–	–	–	197	–	197
Impairment loss on amounts due from former subsidiaries	–	6,457	–	–	–	6,457	–	6,457
Trade receivables written off	2,306	–	–	–	625	2,931	–	2,931

Geographical segments

A geographical analysis of the Group's revenue, assets and capital expenditure information is not presented as the Group's revenue, results and assets in geographical segments other than the People's Republic of China (the "PRC") are less than 10% of the aggregate amount of all segments.

4. REVENUE AND OTHER INCOME

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

	Group					
	Continuing operations		**Discontinued operation**		**Consolidated**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue :						
Sales of goods	**89,728**	73,195	**–**	6,960	**89,728**	80,155
Water supply operation services	**379,548**	240,332	**–**	–	**379,548**	240,332
Water supply construction services	**31,966**	–	**–**	–	**31,966**	–
Water supply related installation	**239,043**	128,656	**–**	–	**239,043**	128,656
Sewage treatment operation services	**29,586**	26,760	**–**	–	**29,586**	26,760
Sewage treatment construction services	**52,024**	–	**–**	–	**52,024**	–
Other infrastructure construction services	**191,920**	281,918	**–**	–	**191,920**	281,918
Hotel and rental income	**8,070**	6,777	**–**	–	**8,070**	6,777
Finance income	**773**	–	**–**	–	**773**	–
Others	**10,541**	7,900	**–**	–	**10,541**	7,900
Total	**1,033,199**	765,538	**–**	6,960	**1,033,199**	772,498
Other income :						
Excess over the cost of a business combination recognised in the income statement	**7,880**	18,215	**–**	–	**7,880**	18,215
Interest income	**5,161**	16,436	**–**	51	**5,161**	16,487
Government grants and subsidies #	**19,670**	2,808	**–**	–	**19,670**	2,808
Amortisation of deferred government grants	**1,294**	950	**–**	–	**1,294**	950
Gain on disposal of land use rights	**345**	181	**–**	–	**345**	181
Gain on disposal of other financial assets	**6,715**	–	**–**	–	**6,715**	–
Gain on disposal of subsidiaries	**1,438**	–	**–**	–	**1,438**	–
Gain on deemed disposal of interest in a subsidiary	**783**	–	**–**	–	**783**	–
Dividend income from financial assets	**8,901**	8,317	**–**	–	**8,901**	8,317
Miscellaneous income	**14,515**	17,356	**–**	922	**14,515**	18,278
Total	**66,702**	64,263	**–**	973	**66,702**	65,236

Government grants and subsidies mainly comprised unconditional subsidies for subsidising the Group's water supply business.

5. PROFIT FROM OPERATION

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

	Group					
	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories sold	**712,430**	498,531	**–**	3,330	**712,430**	501,861
Depreciation	**90,621**	62,939	**–**	1,062	**90,621**	64,001
Amortisation of prepaid land lease payments	**4,956**	3,307	**–**	10	**4,956**	3,317
Amortisation of other intangible assets	**8,256**	5,762	**–**	–	**8,256**	5,762
Operating leases in respect of						
– leasehold land and buildings	**7,824**	4,774	**–**	759	**7,824**	5,533
– water pipelines, plant and machinery	**4,839**	–	**–**	–	**4,839**	–
Staff costs (excluding directors' remuneration) :						
Salaries and wages	**132,011**	82,738	**–**	2,418	**132,011**	85,156
Equity-settled share option expenses	**12,304**	49,526	**–**	–	**12,304**	49,526
Retirement scheme contribution	**611**	1,172	**–**	264	**611**	1,436
	144,926	133,436	**–**	2,682	**144,926**	136,118
Loss on disposal of property, plant and equipment	**127**	395	**–**	–	**127**	395
Gain on disposal of land use rights	**(345)**	(181)	**–**	–	**(345)**	(181)
Write off on property, plant and equipment	**306**	326	**–**	–	**306**	326
Inventories written off	**36**	348	**–**	–	**36**	348
Impairment loss on other receivables	**–**	197	**–**	–	**–**	197
Trade receivables written off	**5,494**	2,931	**–**	–	**5,494**	2,931
Impairment loss on amounts due from former subsidiaries	**694**	6,457	**–**	–	**694**	6,457

6. FINANCE COSTS

	Group Continuing operations	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans		
– wholly repayable within five years	**26,532**	25,617
– not wholly repayable within five years	**13,599**	5,555
Interest on other borrowings		
– wholly repayable within five years	**10,050**	3,432
– not wholly repayable within five years	**8,694**	1,013
Interest on convertible bonds	**40,095**	34,834
Convertible bonds issuance expenses charged to income statement	**–**	2,159
Total borrowing costs	**98,970**	72,610
Less: interest capitalised included in property, plant and equipment and other intangible assets	**(13,747)**	(5,189)
	85,223	67,421

7. INCOME TAX EXPENSE

Income tax expense in the income statement represents:

	Group					
	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current						
– Hong Kong profits tax	**–**	4,709	**–**	–	**–**	4,709
– Elsewhere	**35,599**	66,862	**–**	–	**35,599**	66,862
	35,599	71,571	**–**	–	**35,599**	71,571
Deferred						
– Current year	**62,344**	74,179	**–**	–	**62,344**	74,179
– Attributable to change in tax rates	**–**	(10,639)	**–**	–	**–**	(10,639)
	62,344	63,540	**–**	–	**62,344**	63,540
Total tax charge for the year	**97,943**	135,111	**–**	–	**97,943**	135,111

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimate assessable profits arising in Hong Kong during the year. Income tax expense for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5%.

8. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
The Company		
Proposed final dividend		
– HK$0.03 per share (2008: HK$Nil per share)	**36,206**	–

Subsequent to the balance sheet date, a final dividend of HK$0.03 per ordinary share (2008: HK$Nil), amounting to approximately HK$36,206,000 (2008: HK$Nil), has been proposed and will be submitted for formal approval at the forthcoming annual general meeting. In addition, the payment of the final dividend is subject to the satisfaction of certain conditions under an amended and restated term facility agreement.

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted earnings per share are based on :

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company	**115,037**	427,242
Less: Profit from discontinued operation	**–**	(344,631)
Result from discontinued operation attributable to minority interests	**–**	(4,334)
Profit attributable to equity holders of the Company from the discontinued operation	**–**	(348,965)
Profit attributable to equity holders of the Company from the continuing operations	**115,037**	78,277

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$115,037,000 (2008: HK$427,242,000) and on the weighted average of 1,224,661,305 (2008: 1,234,083,610) ordinary shares in issue during the year. For the year ended 31 March 2008, the calculation of basic earnings per share for profit attributable to equity holders of the Company from the continuing operations is based on the profit for the year attributable to equity holders of the Company from the continuing operations of HK$78,277,000 and on the weighted average of 1,234,083,610 ordinary shares in issue during the year.

In the calculation of the diluted earnings per share attributable to the equity holders of the Company for the year ended 31 March 2009, the Company's warrants were not taken into account as they had an anti-dilutive effect. Therefore, the calculation of diluted earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$115,037,000 and after adjustments to reflect the effect of deemed exercise or conversion of convertible bonds, which was HK$118,315,000 and on the weighted average of 1,297,084,520 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,224,661,305 used in basic earnings per share calculation and adjusted for the effect of share options and deemed exercise or conversion of convertible bonds existing during the year of 72,423,215.

In the calculation of the diluted earnings per share attributable to the equity holders of the Company for the year ended 31 March 2008, the potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to the equity holders of the Company from continuing operations and were not taken into account as they had an anti-dilutive effect. Therefore, the calculation of diluted earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$427,242,000 and the profit for the year attributable to equity holders of the Company from the continuing operations of HK$78,277,000 and on the weighted average of 1,251,084,290 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,234,083,610 used in basic earnings per share calculation and adjusted for the effect of share options existing during the year of 17,000,680.

10. TRADE RECEIVABLES – GROUP

	2009	2008
	HK$'000	*HK$'000*
0 to 90 days	**115,357**	319,981
91 to 180 days	**93,798**	20,132
Over 180 days	**128,163**	15,769
	337,318	355,882

The Group has a policy of allowing trade customers with credit normally within 90 days except for construction project for which settlement is made in accordance with the terms specified in the contracts governing the relevant transaction. Overdue balances are reviewed regularly by the Group's management.

11. TRADE PAYABLES – GROUP

The credit terms of trade payables vary according to the terms agreed with different suppliers. The ageing analysis of the Group's trade payables as at the balance sheet is as follows :

	2009	2008
	HK$'000	*HK$'000*
0 to 90 days	**105,876**	39,230
91 to 180 days	**67,750**	121,006
Over 180 days	**87,508**	4,556
	261,134	164,792

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For continuing operations, the Group recorded a turnover of HK$1,033.2 million, representing an increase of 35% from HK$765.5 million recorded last year. The Group recorded a gross profit of HK$320.8 million representing an increase of 20% from HK$267.0 million last year. For the year under review, the Group recorded a profit for the year from continuing operations of HK$228.7 million (2008: HK$175.4 million). The total basic earning per share from continuing operations increased by 48% to 9.39 cents.

DIVIDENDS

The Directors recommended a final dividend of HK3 cents (2008: Nil) per ordinary share, which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 4 September 2009, will be payable on or about Friday, 11 September 2009 to the shareholders whose names appear on the register of members on Friday, 4 September 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 31 August 2009 to Friday, 4 September 2009 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 proposed final dividend for the year ended 31 March 2009 and attending and voting at the annual general meeting, 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 28 August 2009.

BUSINESS REVIEW

(I) Water Supply Business Analysis

In the year, the Group sustained rapid growth in its revenue and profit from water supply business.

The revenue from city water supply amounted to approximately HK$385.9 million (2008: HK$255.2 million), representing an increase of 51.2% as compared with last year. The revenue from water supply related installation works amounted to approximately HK$271.0 million (2008: HK$128.7 million), representing an increase of 110.5% as compared with last year.

City water supply projects owned by the subsidiaries of the Group spread various provinces and municipalities across China, including provinces such as Henan, Jiangsu, Hubei, Jiangxi, Guangdong and Hainan, and Chongqing Municipality. The total water segments profits (included city water supply, water related installation works and meter installation) amounted to approximately HK$150.7 million (2008: HK$79.8 million).

(II) Sewage Business Analysis

During the year, the Group has recorded turnover from sewage treatment business of HK$29.6 million (2008: HK$26.8 million). The revenue contribution mainly from a sewage treatment plant located at Hongguang Road, Development Zone, Jingzhou City, Hubei Province. For the year ended 31 March 2009, the profit after tax and the profit after tax but before amortization of cost of franchise of that sewage treatment business is amounted to approximately HK$11.1 million and HK$17 million, respectively.

(III) Investment Business Analysis

As at the balance sheet date, the Group's investment portfolio held for trading mainly consists of Qian Jiang Water Resources Development Co., Ltd ("Qian Jiang") (Shanghai Stock Exchange Code: 600283). The Group has disposed 6,533,400 A shares of Qian Jiang with gross sale proceeds of approximately HK$56 million.

The proceeds from disposal of shares have been retained for development of current water projects.

FUTURE PROSPECTS

With the continuous economic development in China that promotes urbanization and the government's policy that advocates integration of urban and rural water supply, water supply is extended to wider areas and management standards are enhanced. All these factors provide remarkable room for growth of income from water supply and installation work under the current city water supply projects of the Group. In addition, the Group is also identifying with effort some promising water projects to enlarge its water supply business and enhance its effectiveness.

On top of its prior solid foundation of water supply, the Group endeavors to realize integration of water supply and emission, to expand its sewage treatment business and to optimize the structural linkage between water supply industry and related water industry so as to fully enhance its overall effectiveness, service quality and competitiveness.

CAPITAL RAISING

On 26 June 2009, Mr. Duan Chuan Liang, a director of the Company and Asset Full Resources Limited ("AFRL") entered into a placing agreement with Kim Eng Securities (Hong Kong) Limited for the placing of up to 120,000,000 ordinary shares of the Company at a price of HK$1.90 per share. Pursuant to a subscription agreement on the same date, Mr. Duan Chuan Liang and AFRL subscribed for 120,000,000 new ordinary shares of the Company at a price of HK$1.90 per share. On 10 July 2009, the subscription completed and raised total consideration of approximately HK$228,000,000 (before expenses).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2009, the Group has total cash and bank balances of approximately HK$577.7 million (2008: HK$458.1 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 51.5% (2008: 49.7%) as at 31 March 2009. The current ratio is 1.15 times (2008: 1.32 times) as at 31 March 2009. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2009, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/Year	Number of Shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration (excluding expenses)
		HK$	*HK$*	*HK$*
September 2008	10,314,000	1.38	1.17	13,617,180
October 2008	22,598,000	1.33	1.00	24,840,720

The shares repurchased during the period were cancelled accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

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

CODE ON CORPORATE GOVERNANCE

The Company has complied with the code provisions which set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the year ended 31 March 2009 except for the following deviations:

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

HUMAN RESOURCES

As at 31 March 2009, the Group has employed approximately 5,000 staff. Most of them stationed in the PRC and the remaining in Hong Kong. The remuneration package of the employees is determined by various factors including their experience and performance, the market condition, industry practice and applicable employment law.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). On specific enquiries made, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

AUDIT COMMITTEE

The audit committee of the Company currently comprises four independent non-executive directors, namely Mr. Chau Kam Wing (chairman of audit committee), Mr. Ong King Keung, Ms. Liu Dong and Ms. Huang Shao Yun. The annual results of the Group for the year ended 31 March 2009 have been reviewed by the audit committee.

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
Duan Chuan Liang
Chairman

Hong Kong, 28 July 2009

As at the date of this announcement, the Board comprises two executive Directors, being Mr. Duan Chuan Liang and Mr. Li Ji Sheng, four non-executive Directors, being Mr. Chen Guo Ru, Mr. Wu Jiesi, Mr. Zhao Hai Hu and Mr. Zhou Wen Zhi, and four independent non-executive Directors, being Ms. Huang Shao Yun, Ms. Liu Dong, Mr. Chau Kam Wing and Mr. Ong King Keung.

* *For identification purposes only*