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 2013

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 2013 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	4	**2,250,675**	1,896,944
Cost of sales		**(1,280,830)**	(1,061,566)
Gross profit		**969,845**	835,378
Other income	4	**121,328**	96,053
Selling and distribution costs		**(90,356)**	(72,938)
Administrative expenses		**(356,441)**	(324,422)
Other operating expenses		**(10,141)**	(7,213)
Fair value gain on investment properties		**149,880**	62,579
Fair value loss on financial assets at fair value through profit or loss		**(190)**	(290)
Change in fair value of derivative financial instruments		**14,918**	45,496
Gain on disposal of assets and liabilities classified as held for sale		**41,526**	32,148
Gain on repurchase/redemption of convertible bonds		**882**	8,419

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Profit from operation	5	**841,251**	675,210
Finance costs	6	**(86,520)**	(86,813)
Share of results of associates		**9,747**	98,719
Profit before income tax		**764,478**	687,116
Income tax expense	7	**(238,939)**	(154,647)
Profit for the year		**525,539**	532,469
Profit for the year attributable to:			
Owners of the Company		**285,809**	315,280
Non-controlling interests		**239,730**	217,189
		525,539	532,469
Earnings per share for profit attributable to owners of the Company during the year	9	***HK cents***	*HK cents*
Basic		**19.72**	21.03
Diluted		**18.79**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**525,539**	532,469
Other comprehensive income		
Change in fair value of available-for-sale financial assets	**3,809**	(3,614)
Share of other comprehensive income of associates	**(10,691)**	9,337
Currency translation	**48,557**	115,505
Other comprehensive income for the year, net of tax	**41,675**	121,228
Total comprehensive income for the year	**567,214**	653,697
Total comprehensive income attributable to:		
Owners of the Company	**307,087**	389,342
Non-controlling interests	**260,127**	264,355
	567,214	653,697

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,744,518**	4,121,103
Prepaid land lease payments		**521,781**	527,244
Investment properties		**740,283**	888,083
Interests in associates		**966,412**	876,998
Available-for-sale financial assets		**161,946**	120,377
Goodwill		**185,775**	181,272
Other intangible assets		**187,756**	192,942
Deposits and prepayments		**207,384**	141,608
		7,715,855	7,049,627
Current assets			
Properties under development		**803,542**	493,698
Properties held for sale		**75,605**	55,162
Inventories		**191,363**	180,821
Trade and bills receivables	10	**530,385**	365,417
Amounts due from grantors for contract work		**111,076**	106,546
Financial assets at fair value through profit or loss		**1,447**	1,617
Due from non-controlling equity holders of subsidiaries		**359,727**	169,318
Due from associates		**118,588**	108,679
Prepayments, deposits and other receivables		**670,514**	545,512
Derivative financial assets		**103,990**	109,012
Pledged deposits		**49,685**	17,909
Deposits and cash		**918,146**	1,068,079
		3,934,068	3,221,770
Assets classified as held for sale		**–**	407,271
		3,934,068	3,629,041

	Notes	2013 HK$'000	2012 HK$'000
Current liabilities			
Trade and bills payables	11	**530,168**	454,647
Accrued liabilities, deposits received and other payables		**1,797,356**	1,409,240
Due to associates		**49,454**	5,581
Borrowings		**653,120**	634,279
Due to non-controlling equity holders of subsidiaries		**198,817**	170,587
Provision for tax		**248,858**	189,186
Convertible bonds		**300,197**	–
Derivative financial liabilities		**14,513**	37,960
		3,792,483	2,901,480
Liabilities classified as held for sale		**–**	117,310
		3,792,483	3,018,790
Net current assets		**141,585**	610,251
Total assets less current liabilities		**7,857,440**	7,659,878
Non-current liabilities			
Borrowings		**2,075,636**	1,755,632
Due to non-controlling equity holders of subsidiaries		**21,740**	33,444
Convertible bonds		**196,641**	536,015
Deposits received		**9,658**	–
Deferred government grants		**52,296**	54,522
Deferred tax liabilities		**307,536**	238,824
		2,663,507	2,618,437
Net assets		**5,193,933**	5,041,441
EQUITY			
Equity attributable to owners of the Company			
Share capital		**14,430**	14,521
Proposed final dividend		**43,291**	43,562
Reserves		**3,325,479**	3,189,286
		3,383,200	3,247,369
Non-controlling interests		**1,810,733**	1,794,072
Total equity		**5,193,933**	5,041,441

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values.

2. ADOPTION OF AMENDED HKFRSs

In the current year, the Group has applied for the first time the following amendments ("the new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2012:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity's future cash flows. The adoption of the amendments has no impact on the disclosures for the current and comparative periods presented.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 "Investment Property" is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date. The adoption of the amendments has no impact on the Group's reported profit or loss and financial position for any period presented.

New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of items of other comprehensive income[1]
Amendments to HKAS 32	Financial instruments – Presentation – Offsetting financial assets and financial liabilities[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[3]
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities[2]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 19 (2011)	Employee benefit[2]
HKAS 27 (2011)	Separate financial statements[2]
HKAS 28 (2011)	Investments in associates and joint ventures[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors 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) "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 transfer-operate-transfer ("TOT") and build-operate-transfer ("BOT") arrangements); and

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

Information about other business activities and operating segments that are not reportable are combined and disclosed in "All other segments". "All other segments" includes manufacture and sale of concrete products, other infrastructure construction and other business activities.

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

The measurement policies the Group use for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that fair value loss on financial assets at fair value through profit or loss, change in fair value of derivative financial instruments, gain on disposal of assets and liabilities classified as held for sale, finance costs, share of results of associates, corporate income, corporate expense, excess over the cost of business combination recognised in profit and loss, income tax expense and gain on repurchase/redemption of convertible bonds are excluded from segment results.

Segment assets exclude corporate assets, available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial assets and interests in associates. Segment liabilities exclude items such as taxation, corporate borrowings and other corporate liabilities.

No asymmetrical allocations have been applied to reportable segments.

For the year ended 31 March 2013

	City water supply operation and construction *HK$'000*	Sewage treatment operation and construction *HK$'000*	Property development and investment *HK$'000*	All other segments *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue						
From external customers	1,733,940	50,910	223,592	242,233	–	2,250,675
From inter-segment	44	–	–	7,644	(7,688)	–
Segment revenue	1,733,984	50,910	223,592	249,877	(7,688)	2,250,675
Segment profit/(loss)	614,971	21,195	196,728	15,032	–	847,926
Unallocated corporate income						34,569
Unallocated corporate expense						(98,380)
Gain on disposal of assets and liabilities classified as held for sale						41,526
Fair value loss on financial assets at fair value through profit or loss						(190)
Change in fair value of derivative financial instruments						14,918
Gain on repurchase/redemption of convertible bonds						882
Finance costs						(86,520)
Share of results of associates	11,272	–	(1,525)	–	–	9,747
Profit before income tax						764,478
Income tax expense						(238,939)
Profit for the year						525,539
Other segment information						
Addition of investment property	–	–	50,218	–	–	50,218
Additions to other non-current segment assets	705,909	291	29,788	94,509	–	830,497
Amortisation of deferred government grants	(2,648)	(259)	–	–	–	(2,907)
Amortisation of other intangible assets	2,627	6,500	–	–	–	9,127
Depreciation of property, plant and equipment and amortisation of prepaid land lease payments	225,738	315	13,540	18,584	–	258,177
Property, plant and equipment written off	110	–	–	–	–	110
Gain on disposal of property, plant and equipment	(651)	–	–	(36)	–	(687)
Fair value gain on investment properties	–	–	(149,880)	–	–	(149,880)
Loss on disposal of investment properties	–	–	1,875	–	–	1,875
Trade receivables written off	1,843	–	–	467	–	2,310

	City water supply operation and construction *HK$'000*	Sewage treatment operation and construction *HK$'000*	Property development and investment *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Segment assets	**5,794,885**	**253,975**	**2,146,181**	**899,396**	**9,094,437**
Other financial assets					**267,383**
Interests in associates	**185,525**	**–**	**780,887**	**–**	**966,412**
Other corporate assets					**1,321,691**
					11,649,923
Segment liabilities	**1,567,473**	**20,638**	**624,095**	**348,531**	**2,560,737**
Deferred tax liabilities					**307,536**
Provision for tax					**248,858**
Other corporate liabilities					**3,338,859**
					6,455,990

For the year ended 31 March 2012

	City water supply operation and construction *HK$'000*	Sewage treatment operation and construction *HK$'000*	Property development and investment *HK$'000*	All other segments (Restated) *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue						
From external customers	1,584,878	46,412	18,935	246,719	–	1,896,944
From inter-segment	2,688	–	–	8,858	(11,546)	–
Segment revenue	1,587,566	46,412	18,935	255,577	(11,546)	1,896,944
Segment profit	591,007	21,494	30,777	13,181	–	656,459
Unallocated corporate income						45,712
Unallocated corporate expense						(119,909)
Gain on disposal of assets classified as held for sale						32,148
Excess over the cost of business combination recognised in profit or loss						7,175
Fair value loss on financial assets at fair value through profit or loss						(290)
Change in fair value of derivative financial instruments						45,496
Gain on redemption of convertible bonds						8,419
Finance costs						(86,813)
Share of results of associates	8,395	–	90,324	–	–	98,719
Profit before income tax						687,116
Income tax expense						(154,647)
Profit for the year						532,469
Other segment information						
Addition of investment property	–	–	214,736	–	–	214,736
Additions to other non-current segment assets	529,305	113	1,878	76,631	–	607,927
Amortisation of deferred government grants	(2,589)	(255)	–	–	–	(2,844)
Amortisation of other intangible assets	2,628	6,420	–	–	–	9,048
Depreciation of property, plant and equipment and amortisation of prepaid land lease payments	202,655	425	5,124	15,799	–	224,003
Property, plant and equipment written off	109	–	–	–	–	109
Loss on disposal of property, plant and equipment	1,849	–	–	–	–	1,849
Fair value gain on investment properties	–	–	(62,579)	–	–	(62,579)
Trade receivables written off	3,014	–	–	–	–	3,014

	City water supply operation and construction *HK$'000*	Sewage treatment operation and construction *HK$'000*	Property development and investment *HK$'000*	All other segments (Restated) *HK$'000*	Total *HK$'000*
Segment assets	5,462,698	250,488	1,623,586	642,301	7,979,073
Other financial assets					231,006
Interests in associates	116,306	–	760,692	–	876,998
Other corporate assets					1,591,591
					10,678,668
Segment liabilities	1,366,776	21,056	345,588	270,351	2,003,771
Deferred tax liabilities					238,824
Provision for tax					189,186
Other corporate liabilities					3,205,446
					5,637,227

For the years ended 31 March 2012 and 2013, the Group did not depend on any single customers under each of the segments.

The Group's revenues from external customers and its non-current assets by geographical areas are not presented as the geographical segments other than the PRC are less than 10% of the aggregate amount of all segments.

"Other infrastructure construction" segment has been combined to "All other segments" this year. Certain comparative figures of segment information were therefore restated.

4. REVENUE AND OTHER INCOME

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

	2013	2012
	HK$'000	*HK$'000*
Revenue:		
Sales of goods	**300,706**	270,137
Sales of properties	**204,881**	18,935
Water supply operation services	**976,410**	975,500
Water supply construction services – intangible assets	**1,445**	16,458
Water supply related installation	**645,763**	514,918
Sewage treatment operation services	**43,374**	40,459
Sewage treatment construction services – financial assets	**2,223**	630
Hotel and rental income	**23,233**	8,774
Finance income	**5,313**	5,323
Others	**47,327**	45,810
Total	**2,250,675**	1,896,944
Other income:		
Excess over the cost of business combination recognised in profit or loss	**–**	7,175
Interest income	**31,206**	25,093
Government grants and subsidies #	**50,150**	37,501
Amortisation of deferred government grants	**2,907**	2,844
Gain on disposal of property, plant and equipment	**687**	–
Dividend income from financial assets	**282**	2,305
Miscellaneous income	**36,096**	21,135
Total	**121,328**	96,053

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

5. PROFIT FROM OPERATION

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

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**1,280,830**	1,061,566
Depreciation	**243,196**	207,893
Amortisation of prepaid land lease payments	**14,981**	16,110
Amortisation of other intangible assets	**9,127**	9,048
Operating leases in respect of		
– leasehold land and buildings	**12,464**	12,350
– other property, plant and equipment	**18,372**	23,968
Staff costs (including directors' emoluments):		
Salaries and wages	**272,857**	237,512
Pension scheme contribution	**40,209**	21,556
	313,066	259,068
Loss on disposal of investment properties	**1,875**	–
(Gain)/loss on disposal of property plant and equipment	**(687)**	1,849
Property, plant and equipment written off	**110**	109
Trade receivables written off	**2,310**	3,014
Net foreign exchange gain	**(8,024)**	(7,193)

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans		
– wholly repayable within five years	**93,117**	70,230
– not wholly repayable within five years	**36,338**	25,433
Interest on other borrowings		
– wholly repayable within five years	**12,016**	6,925
– not wholly repayable within five years	**9,208**	8,701
Interest on convertible bonds	**39,594**	44,239
Total borrowing costs	**190,273**	155,528
Less: interest capitalised included in property, plant and equipment and properties under development	**(103,753)**	(68,715)
	86,520	86,813

7. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2013	2012
	HK$'000	*HK$'000*
Current		
– PRC	**173,214**	144,948
Deferred tax	**65,725**	9,699
Total income tax expense	**238,939**	154,647

8. DIVIDENDS

(a) Dividends attributable to the year

	2013	2012
	HK$'000	*HK$'000*
Proposed final dividend		
– HK$0.03 (2012: HK$0.03) per ordinary share	**43,291**	43,562
Interim dividend		
– HK$0.02 (2012: HK$0.02) per ordinary share	**29,029**	29,608
	72,320	73,170

The final dividends proposed after the reporting date for the year ended 31 March 2013 and 2012 have not been recognised as a liability at the reporting date, but reflected as an appropriation of contributed surplus for the year ended 31 March 2013 and 2012 respectively. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting; and the satisfaction of certain conditions under a term facility agreement with a financial institution which have been satisfied as of the date of this announcement.

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

	2013	2012
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year of HK$0.03 (2012: HK$0.03) per ordinary share	**43,562**	41,576
Adjustment to the final dividend *(Note)*	**(18)**	4,464
	43,544	46,040

Note: The adjustment was due to placing and subscription of new shares and share repurchase prior to the record date of the final dividend and, therefore, the related shares rank for this dividend payment.

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

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$285,809,000 (2012: HK$315,280,000) and the weighted average of 1,449,324,570 (2012: 1,499,080,108) ordinary shares in issue during the year.

The calculation of the diluted earnings per share for the year ended 31 March 2013 is based on the profit attributable to the owners of the Company of HK$285,809,000 and after adjustments to reflect the effect of conversion of convertible bonds, which was HK$304,582,000 and on the weighted average of 1,620,950,060 ordinary shares during the year, being the weighted average number of ordinary shares of 1,449,324,570 used in basic earnings per share calculation and adjusted for the effect of conversion of convertible bonds existing during the year of 171,625,490 ordinary shares.

No diluted earnings per share are presented for the year ended 31 March 2012 as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic earnings per share presented for the year.

10. TRADE AND BILLS RECEIVABLES

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

	2013	2012
	HK$'000	*HK$'000*
0 to 90 days	**202,771**	138,759
91 to 180 days	**117,129**	49,682
Over 180 days	**210,485**	176,976
	530,385	365,417

11. TRADE AND BILLS PAYABLES

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

	2013	2012
	HK$'000	*HK$'000*
0 to 90 days	**201,233**	109,537
91 to 180 days	**96,293**	82,781
Over 180 days	**232,642**	262,329
	530,168	454,647

12. POST REPORTING DATE EVENTS

The Group had the following material events after 31 March 2013:

(a) On 2 April 2013, the Company has submitted a firm bid to the vendor to acquire a controlling stake in a group of companies principally engaged in water supply and sewage business in the People's Republic of China. The firm bid is not completed as at the date of this announcement.

(b) On 3 April 2013, the Company entered into a term facility agreement with The Royal Bank of Scotland PLC for a loan facility of up to US$90,000,000. The Company had fully utilised the loan facility in April 2013.

(c) On 15 April 2013, the board of directors (the "Board") adopted the share award scheme (the "Share Award Scheme") which has taken effect immediately. Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date, 15 April 2013. Up to the date of this announcement, no share award has been granted under the Share Award Scheme.

(d) The Company has been notified that certain bondholders have exercised their right to require the Company to redeem the convertible bonds in the aggregate principal amount of HK$286,700,000 on 15 April 2013 at the early redemption price of 111.32% of the principal amount which is equivalent to approximately HK$319,154,000 pursuant to the terms and conditions of the convertible bonds. The Company has complied with the said redemption request in accordance with the terms and conditions of the convertible bonds. After completion of the above redemption, the outstanding principal amount of the convertible bonds was HK$187,800,000.

(e) On 6 May 2013, the Company repurchased the convertible bonds with a principle amount of HK$4,000,000 at the consideration of HK$4,453,000. After completion of the above repurchase, the outstanding principle amount of the convertible bonds is HK$183,800,000.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2013, the Group recorded a turnover of HK$2,250.7 million, representing an increase of 18.7% from HK$1,896.9 million in last year. The Group recorded a gross profit of HK$969.8 million representing an increase of 16.1% from HK$835.4 million in last year. For the year under review, the Group recorded a profit for the year attributable to owners of the Company of HK$285.8 million, representing a decrease of 9.4% from HK$315.3 million in last year. The basic earnings per share decreased by 6.2% to HK19.72 cents in current year.

DIVIDENDS

The Directors recommended a final dividend of HK3 cents (2012: HK3 cents) 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, 6 September 2013 and will be payable on or about Friday, 27 September 2013 to the shareholders whose names appear on the register of members on Tuesday, 17 September 2013. In addition, the final dividend is subject to the satisfaction of certain conditions under a term facility agreement with a financial institution which have been satisfied as of the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 13 September 2013 to Tuesday, 17 September 2013 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 2013, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 12 September 2013.

BUSINESS REVIEW

The Group's total revenue continuously increased from HK$1,896.9 million for the year ended 31 March 2012 to HK$2,250.7 million for the year ended 31 March 2013, representing an increase of 18.7%. The Group maintained a stable growth in its "Water" segment. For the year under review, the total revenue attributable to the "Water" segment amounted to HK$1,784.9 million, represented an increase of 9.4% when compared with the total "Water" segment revenue of HK$1,631.3 million in the corresponding year. This organic growth of "Water" segment revenue is mainly attributable to the successful growth of the Group through various mergers and acquisition, increase in operating efficiency and tariff of the water supply and sewage treatment plants.

(i) Water Supply Business Analysis

City water supply projects of the Group are well spread in various provincial cities and regions across China, including Hunan, Henan, Hainan, Jiangsu, Hubei, Jiangxi, Guangdong and Chongqing.

For the year under review, the revenue from city water supply operation and construction amounted to HK$1,733.9 million (2012: HK$1,584.9 million), representing an increase of 9.4% as compared with the last corresponding year. The total water segment profit (including city water supply, water related installation works and meter installation) amounted to HK$615.0 million (2012: HK$591.0 million), representing a stable increase of 4.1% as compared with the last corresponding year.

One new water supply project of the Group located in Luxi county of Jiangxi province contributed additional revenue of HK$3.7 million and net profit of HK$1.8 million to the Group for the year under review.

(ii) Sewage Treatment Business Analysis

Sewage treatment projects of the Group are mainly located in Hubei and Jiangxi provinces of China.

For the year under review, the revenue from sewage treatment operation and construction business amounted to HK$50.9 million (2012: HK$46.4 million), representing an increase of 9.7% as compared with the last corresponding year. The total sewage treatment segment profit (including sewage treatment operating and construction) amounted to HK$21.2 million (2012: HK$21.5 million), representing a slight decrease of 1.4% as compared with the last corresponding year.

(iii) Property Business Analysis

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

For the year under review, the revenue from the property business segment amounted to HK$223.6 million (2012: HK$18.9 million). The total property business segment profit amounted to HK$196.7 million (2012: HK$30.8 million), representing a substantial increase of 538.6% as compared with the last corresponding year, which was mainly due to the sales of a property project in Hunan province and the fair value gain on investment properties amounted to HK$149.9 million (2012: HK$62.6 million).

For the year under review, the Group recorded a gain on disposal of assets and liabilities classified as held for sale amounted to HK$41.5 million, which represented the gain on disposal of 50% equity interest in 廣東新會水務有限公司. For the corresponding year under review, the Group recorded a gain on disposal of assets classified as held for sale amounted to HK$32.1 million, which represented the gain on disposal of remaining 15% equity interest in 江河農村電氣化發展有限公司. The Group considered that realisation of the above investments at a gain can provide resources to the Group in developing water supply related businesses in China.

For the year under review, the Group also recorded a net loss on share of results of China Water Property Group Limited ("China Water Property"), an associate of the Group with its ordinary shares listed on the mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2349), in an amount of HK$1.5 million. For the corresponding year under review, the Group recorded a gain on share of results of China Water Property in an amount of HK$90.3 million which mainly included the excess of the investor's share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment of HK$88.6 million arising from the acquisition of additional 15.45% equity interest in China Water Property by way of open offer completed in October 2011.

PROSPECTS

Going forward, the developed countries in Europe and United States (US) are still being confronted with the debt crisis and slow recovery of economy. Uncertainty arising from the concerns over the tightening of their monetary policies such as tapering of quantitative easing in US has been creating turbulence in the global financial market and market liquidity. Despite these, the supportive policies in relation to the Group's water supply and sewage treatment businesses are being launched continuously in China. Green economy, resources (such as water and energy) conservation and environmental protection are placed among the top rank of the national policies under the 12th Five-Year Plan. As such, the Group expects to see unprecedented opportunities in the market. To respond and capture the market opportunities effectively, the Group will closely analyse the macroeconomic trends and policy changes; identify the critical risks and challenges; and monitor its development and execution of business strategies. By uniting concerted efforts of all staff, optimising management efficiency, strengthening internal control and leveraging on our capital strength, the Group is confident to take a further leap in the industry.

CONVERTIBLE BONDS

During the year ended 31 March 2013, the Company repurchased the convertible bonds with an aggregate principal amount of HK$61,000,000 at the total consideration of HK$67,530,000. After completion of the above repurchase, the outstanding principal amount of the convertible bonds as at 31 March 2013 was HK$474,500,000.

The Company has been notified that certain bondholders have exercised their right to require the Company to redeem the convertible bonds in the aggregate principal amount of HK$286,700,000 on 15 April 2013 at the early redemption price of 111.32% of the principal amount which is equivalent to approximately HK$319,154,000 pursuant to the terms and conditions of the convertible bonds. The Company has complied with the said redemption request in accordance with the terms and conditions of the convertible bonds. After completion of the above redemption, the outstanding principal amount of the convertible bonds was HK$187,800,000.

On 6 May 2013, the Company repurchased the convertible bonds with a principal amount of HK$4,000,000 at the consideration of HK$4,453,000. After completion of the above repurchase, the outstanding principal amount of the convertible bonds is HK$183,800,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group has total cash and deposits balances of approximately HK$967.8 million (2012: HK$1,086.0 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 55.4% (2012: 52.8%) as at 31 March 2013. The current ratio is 1.04 times (2012: 1.20 times) as at 31 March 2013. 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 2013, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration (excluding expenses)
		HK$	*HK$*	*HK$*
June 2012	624,000	1.89	1.85	1,167,000
December 2012	4,410,000	2.40	1.94	10,044,000
January 2013	4,018,000	2.47	2.36	9,718,000

During the year ended 31 March 2013, the Company repurchased a total of 9,052,000 ordinary shares of HK$0.01 each in the capital of the Company. 624,000 and 8,428,000 of the repurchased shares were cancelled in August 2012 and March 2013 respectively. Accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

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

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

CORPORATE GOVERNANCE

During the year ended 31 March 2013, the Company has complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules except for the following deviations.

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

Under code provision A.2.7, the Chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As Mr. Duan Chuan Liang, the Chairman of the Company, is an executive director of the Company, the Company cannot hold such a meeting where no executive director shall be present.

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

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive directors and non-executive directors were unable to attend the Company's annual general meeting held on 7 September 2012 due to their other business commitments.

HUMAN RESOURCES

As at 31 March 2013, the Group has employed approximately 5,500 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 merit, qualifications, competence, performance, the market condition, industry practice and applicable employment law.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of directors. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code throughout the year ended 31 March 2013 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

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 2013 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
China Water Affairs Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 26 June 2013

As at the date of this announcement, the Board comprises two executive Directors, being Mr. Duan Chuan Liang and Mr. Li Ji Sheng, five non-executive Directors, being Mr. Chen Guo Ru, Mr. Wu Jiesi, Mr. Zhao Hai Hu, Mr. Zhou Wen Zhi and Mr. Makoto Inoue, 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*