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 2014

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 2014 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Revenue	4	**2,746,583**	2,250,675
Cost of sales		**(1,599,324)**	(1,280,830)
Gross profit		**1,147,259**	969,845
Other income	4	**170,432**	121,328
Selling and distribution costs		**(96,935)**	(90,356)
Administrative expenses		**(438,692)**	(356,441)
Other operating expenses		**(11,473)**	(10,141)
Fair value gain on investment properties		**48,701**	149,880
Fair value loss on financial assets at fair value through profit or loss		**(162)**	(190)
Change in fair value of derivative financial instruments		**(26,181)**	14,918
Gain on disposal of assets and liabilities classified as held for sale		**–**	41,526
(Loss)/Gain on repurchase/redemption of convertible bonds		**(1,441)**	882
Gain on disposal of subsidiaries		**37,032**	–

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Profit from operation	5	**828,540**	841,251
Finance costs	6	**(106,902)**	(86,520)
Share of results of associates		**66,005**	9,747
Profit before income tax		**787,643**	764,478
Income tax expense	7	**(230,092)**	(238,939)
Profit for the year		**557,551**	525,539
Profit for the year attributable to:			
Owners of the Company		**281,295**	285,809
Non-controlling interests		**276,256**	239,730
		557,551	525,539
Earnings per share for profit attributable to owners of the Company during the year	9	***HK cents***	*HK cents*
Basic		**19.77**	19.72
Diluted		**19.77**	18.79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 *HK$'000*	2013 *HK$'000*
Profit for the year	**557,551**	525,539
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
– Change in fair value of available-for-sale financial assets	**3,593**	3,809
– Currency translation	**52,166**	48,557
– Share of other comprehensive income of associates	**12,195**	(10,691)
– Reclassification adjustment		
– Disposal of subsidiaries	**(17,687)**	–
Other comprehensive income for the year, net of tax	**50,267**	41,675
Total comprehensive income for the year	**607,818**	567,214
Total comprehensive income attributable to:		
Owners of the Company	**315,625**	307,087
Non-controlling interests	**292,193**	260,127
	607,818	567,214

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,425,110**	4,744,518
Prepaid land lease payments		**549,559**	521,781
Investment properties		**485,515**	740,283
Interests in associates		**1,341,151**	966,412
Available-for-sale financial assets		**163,816**	161,946
Goodwill		**242,052**	185,775
Other intangible assets		**181,999**	187,756
Deposits and prepayments		**188,618**	207,384
		8,577,820	7,715,855
Current assets			
Properties under development		**596,650**	803,542
Properties held for sale		**37,921**	75,605
Inventories		**248,569**	191,363
Trade and bills receivables	10	**577,610**	530,385
Amounts due from grantors for contract work		**285,557**	111,076
Financial assets at fair value through profit or loss		**1,303**	1,447
Due from non-controlling equity holders of subsidiaries		**348,292**	359,727
Due from associates		**252,298**	118,588
Prepayments, deposits and other receivables		**734,481**	670,514
Derivative financial assets		**77,056**	103,990
Pledged deposits		**179,200**	49,685
Deposits and cash		**1,590,125**	918,146
		4,929,062	3,934,068

	Notes	2014 HK$'000	2013 HK$'000
Current liabilities			
Trade and bills payables	11	**529,023**	530,168
Accrued liabilities, deposits received and other payables		**1,521,007**	1,797,356
Due to associates		**67,317**	49,454
Borrowings		**1,299,281**	653,120
Due to non-controlling equity holders of subsidiaries		**210,236**	198,817
Provision for tax		**339,840**	248,858
Convertible bonds		**–**	300,197
Derivative financial liabilities		**4,976**	14,513
		3,971,680	3,792,483
Net current assets		**957,382**	141,585
Total assets less current liabilities		**9,535,202**	7,857,440
Non-current liabilities			
Borrowings		**3,360,045**	2,075,636
Due to non-controlling equity holders of subsidiaries		**13,154**	21,740
Convertible bonds		**163,461**	196,641
Deposits received		**38,911**	9,658
Deferred government grants		**85,321**	52,296
Deferred tax liabilities		**178,182**	307,536
		3,839,074	2,663,507
Net assets		**5,696,128**	5,193,933
EQUITY			
Equity attributable to owners of the Company			
Share capital		**14,049**	14,430
Proposed final dividend		**42,147**	43,291
Reserves		**3,474,235**	3,325,479
		3,530,431	3,383,200
Non-controlling interests		**2,165,697**	1,810,733
Total equity		**5,696,128**	5,193,933

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 HKFRSs

2.1 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 consolidated financial statements for the annual period beginning on 1 April 2013:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

The adoption of these amendments has no material impact on the Group's consolidated financial statements.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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 and 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 Group has adopted the amendments retrospectively for the year ended 31 March 2013. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

Amendments to HKFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32. The adoption of the amendments has no impact on these consolidated financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

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 (2008) on other consolidation related matters are carried forward unchanged.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

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. The Directors conclude that the adoption of HKFRS 12 has no material impact on the Group's financial position and performance.

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 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires disclosure about fair value measurements.

2.2 New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period.

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

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

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
HK (IFRIC) – Int 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legal enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and 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. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation occurs.

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 and build-operate-transfer arrangements);

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

(iii) "Concrete related products and services" segment involves production and sales of ready-mixed concrete and related services.

Information about other business activities and operating segments that are not reportable are combined and disclosed in "All other segments". "All other segments" includes 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 arm's length prices.

The measurement policies the Group use for reporting segment results under HKFRS 8 are the same as those used in its 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, gain on disposal of subsidiaries, finance costs, share of results of associates, corporate income, corporate expense, income tax expense and gain/loss 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 2014

	City water supply operation and construction *HK$'000*	Sewage treatment operation and construction *HK$'000*	Property development and investment *HK$'000*	Concrete related products and services *HK$'000*	All other segments *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue							
From external customers	1,875,383	82,355	385,317	356,628	46,900	–	2,746,583
From inter-segment	2	–	–	360	12,824	(13,186)	–
Segment revenue	1,875,385	82,355	385,317	356,988	59,724	(13,186)	2,746,583
Segment profit/(loss)	730,603	31,495	90,310	44,746	(10,310)	–	886,844
Unallocated corporate income							63,387
Unallocated corporate expense							(130,939)
Gain on disposal of subsidiaries							37,032
Fair value loss on financial assets at fair value through profit or loss							(162)
Change in fair value of derivative financial instruments							(26,181)
Loss on repurchase/redemption of convertible bonds							(1,441)
Finance costs							(106,902)
Share of results of associates	11,712	–	26,667	–	27,626	–	66,005
Profit before income tax							787,643
Income tax expense							(230,092)
Profit for the year							557,551
Other segment information							
Addition of investment properties	–	–	5,729	10,545	–	–	16,274
Additions to other non-current segment assets	767,701	562	28,618	33,804	35,740	–	866,425
Amortisation of deferred government grants	(2,681)	(262)	–	–	–	–	(2,943)
Amortisation of other intangible assets	2,705	6,582	–	–	–	–	9,287
Depreciation of property, plant and equipment and amortisation of prepaid land lease payments	263,899	560	17,576	9,375	13,808	–	305,218
Property, plant and equipment written off	2,248	621	–	–	96	–	2,965
(Gain)/Loss on disposal of property, plant and equipment	(3,129)	–	–	(15)	10	–	(3,134)
Fair value gain on investment properties	–	–	(48,701)	–	–	–	(48,701)
Goodwill written off	–	–	–	–	2,986	–	2,986
Reversal of provision of doubtful debts	(2,963)	–	–	–	–	–	(2,963)

	City water supply operation and construction *HK$'000*	Sewage treatment operation and construction *HK$'000*	Property development and investment *HK$'000*	Concrete related products and services *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Segment assets	**6,882,817**	**487,408**	**1,554,628**	**390,599**	**611,200**	**9,926,652**
Other financial assets						**242,175**
Interests in associates	**194,788**	**13,477**	**902,823**	**–**	**230,063**	**1,341,151**
Other corporate assets						**1,996,904**
						13,506,882
Segment liabilities	**1,762,873**	**23,816**	**174,652**	**170,619**	**227,562**	**2,359,522**
Deferred tax liabilities						**178,182**
Provision for tax						**339,840**
Other corporate liabilities						**4,933,210**
						7,810,754

For the year ended 31 March 2013

	City water supply operation and construction	Sewage treatment operation and construction	Property development and investment	Concrete related products and services (Restated)	All other segments (Restated)	Inter-segment elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
From external customers	1,733,940	50,910	223,592	159,522	82,711	–	2,250,675
From inter-segment	44	–	–	1,257	6,387	(7,688)	–
Segment revenue	1,733,984	50,910	223,592	160,779	89,098	(7,688)	2,250,675
Segment profit/(loss)	614,971	21,195	196,728	17,070	(2,038)	–	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 properties	–	–	50,218	–	–	–	50,218
Additions to other non-current segment assets	705,909	291	29,788	47,427	47,082	–	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	9,563	9,021	–	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	Sewage treatment operation and construction	Property development and investment	Concrete related products and services (Restated)	All other segments (Restated)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	5,794,885	253,975	2,146,181	283,228	616,168	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	146,924	201,607	2,560,737
Deferred tax liabilities						307,536
Provision for tax						248,858
Other corporate liabilities						3,338,859
						6,455,990

For the years ended 31 March 2014 and 2013, the Group did not depend on any single customers under each of the segments.

The Group's revenue from external customers and its non-current assets by geographical areas are not presented as the geographical segments other than the People's Republic of China excluding Hong Kong (the "PRC") are less than 10% of the aggregate amount of all segments.

"Concrete related products and services" is separately reported 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:

	2014 *HK$'000*	2013 *HK$'000*
Revenue:		
Sales of goods	**426,094**	300,706
Sales of properties	**360,641**	204,881
Water supply operation services	**1,105,697**	976,410
Water supply construction services – intangible assets	**1,069**	1,445
Water supply related installation	**671,050**	645,763
Sewage treatment operation services	**68,708**	43,374
Sewage treatment construction services – financial assets	**3,437**	2,223
Hotel and rental income	**29,119**	23,233
Finance income	**10,210**	5,313
Others	**70,558**	47,327
Total	**2,746,583**	2,250,675
Other income:		
Interest income	**59,634**	31,206
Government grants and subsidies #	**67,928**	50,150
Amortisation of deferred government grants	**2,943**	2,907
Gain on disposal of property, plant and equipment	**3,134**	687
Dividend income from financial assets	**3,753**	282
Miscellaneous income	**33,040**	36,096
Total	**170,432**	121,328

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):

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**1,599,324**	1,280,830
Depreciation	**288,830**	243,196
Amortisation of prepaid land lease payments	**16,388**	14,981
Amortisation of other intangible assets	**9,287**	9,127
Operating leases in respect of		
– leasehold land and buildings	**18,198**	12,464
– other property, plant and equipment	**26,287**	18,372
Staff costs (including directors' emoluments):		
Salaries and wages	**320,225**	272,857
Pension scheme contribution	**54,640**	40,209
	374,865	313,066
Loss on disposal of investment properties	**–**	1,875
Gain on disposal of property, plant and equipment	**(3,134)**	(687)
Goodwill written off	**2,986**	–
Property, plant and equipment written off	**2,965**	110
Reversal of provision of douful debts	**(2,963)**	–
Trade receivables written off	**–**	2,310
Net foreign exchange gain	**(1,913)**	(8,024)

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank loans		
– wholly repayable within five years	**138,445**	93,117
– not wholly repayable within five years	**60,957**	36,338
Interest on other borrowings		
– wholly repayable within five years	**21,938**	12,016
– not wholly repayable within five years	**3,945**	9,208
Interest on convertible bonds	**13,518**	39,594
Total borrowing costs	**238,803**	190,273
Less: interest capitalised included in property, plant and equipment and properties under development	**(131,901)**	(103,753)
	106,902	86,520

7. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2014	2013
	HK$'000	*HK$'000*
Current		
– PRC	**209,945**	173,214
Deferred tax	**20,147**	65,725
Total income tax expense	**230,092**	238,939

8. DIVIDENDS

(a) Dividends attributable to the year

	2014	2013
	HK$'000	*HK$'000*
Proposed final dividend		
– HK$0.03 (2013: HK$0.03) per ordinary share	**42,147**	43,291
Interim dividend		
– HK$0.02 (2013: HK$0.02) per ordinary share	**28,099**	29,029
	70,246	72,320

The final dividends proposed after the reporting date for the year ended 31 March 2014 and 2013 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 2014 and 2013 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

	2014	2013
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year of HK$0.03 (2013: HK$0.03) per ordinary share	**43,291**	43,562
Adjustment to the final dividend *(Note)*	**(379)**	(18)
	42,912	43,544

Note: The adjustment was made due to 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$281,295,000 (2013: HK$285,809,000) and the weighted average of 1,423,190,114 (2013: 1,449,324,570) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 March 2014 is the same as the basic earnings per share because the impact of the potential dilutive ordinary shares outstanding is anti-dilutive.

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.

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:

	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**253,967**	202,771
91 to 180 days	**73,189**	117,129
Over 180 days	**250,454**	210,485
	577,610	530,385

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:

	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**229,682**	201,233
91 to 180 days	**94,844**	96,293
Over 180 days	**204,497**	232,642
	529,023	530,168

12. POST REPORTING DATE EVENTS

The Group had the following material events after 31 March 2014:

(a) On 27 May 2014, the Company and its subsidiary, 上海銀龍股權投資有限公司, entered into a term facility agreement with Asian Development Bank for a loan facility of US$100 million. The term facility agreement is part of a two phase financing cooperation of up to an aggregate amount of US$200 million. The facility of US$100 million was not utilised up to the date of this announcement.

(b) On 16 June 2014, the Group entered into an agreement with 安鄉縣自來水公司 ("Anxiang Water Company"), that the Group and Anxiang Water Company shall establish a new company, Anxiang Silver Dragon Water Limited ("Anxiang Silver Dragon"), to run a water supply business. The Group shall contribute 70% registered capital of Anxiang Silver Dragon by way of cash (RMB35,000,000) and Anxiang Water Company shall contribute the remaining 30% interest of Anxiang Silver Dragon by way of assets and the water supply business in Anxiang Water Company. The above transaction is not completed up to the date of this announcement.

(c) Subsequent to the reporting date and up to the date of this announcement, the Company repurchased a total of 5,192,000 ordinary shares of HK$0.01 each in the capital of the Company at an aggregate price of approximately HK$13,051,000. The highest price paid and the lowest price paid was HK$2.67 and HK$2.37 respectively. Those repurchased shares were not cancelled as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2014, the Group recorded a turnover of HK$2,746.6 million, representing an increase of 22.0% from HK$2,250.7 million in last year. The Group recorded a gross profit of HK$1,147.3 million representing an increase of 18.3% from HK$969.8 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$281.3 million, representing a slight decrease of 1.6% from HK$285.8 million in last year. The basic earnings per share increased by 0.3% to HK19.77 cents in current year.

DIVIDENDS

The Directors recommended a final dividend of HK3 cents (2013: 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, 5 September 2014 and will be payable on or about Friday, 10 October 2014 to the shareholders whose names appear on the register of members on Wednesday, 17 September 2014. 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 Monday, 15 September 2014 to Wednesday, 17 September 2014 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 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 12 September 2014.

BUSINESS REVIEW

The Group's total revenue continuously increased from HK$2,250.7 million for the year ended 31 March 2013 to HK$2,746.6 million for the year ended 31 March 2014, representing an increase of 22.0%. 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$1,957.7 million, representing an increase of 9.7% when compared with the total "Water" segment revenue of HK$1,784.9 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, Jiangxi, Hubei, Guangdong, Chongqing and Shanxi.

For the year under review, the revenue from city water supply operation and construction amounted to HK$1,875.4 million (2013: HK$1,733.9 million), representing an increase of 8.2% 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$730.6 million (2013: HK$615.0 million), representing a stable increase of 18.8% as compared with the last corresponding year.

(ii) Sewage Treatment Business Analysis

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

For the year under review, the revenue from sewage treatment operation and construction business amounted to HK$82.4 million (2013: HK$50.9 million), representing an increase of 61.9% as compared with the last corresponding year. The total sewage treatment segment profit (including sewage treatment operating and construction) amounted to HK$31.5 million (2013: HK$21.2 million), representing a substantial increase of 48.6% 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$385.3 million (2013: HK$223.6 million). The total property business segment profit amounted to HK$90.3 million (2013: HK$196.7 million), representing a substantial decrease of 54.1% as compared with the last corresponding year, which was mainly due to the substantial decrease in the fair value gain on investment properties by HK$101.2 million (fair value gain on investment properties in 2013: HK$149.9 million).

(iv) Concrete Business Analysis

Concrete projects of the Group are mainly located in Jiangxi and Hunan provinces of China.

For the year under review, the revenue from concrete business segment amounted to HK$356.6 million (2013: HK$159.5 million), representing a significant increase of 123.6% as compared with the last corresponding year. The total concrete business segment profit amounted to HK$44.7 million (2013: HK$17.1 million), representing a significant increase of 161.4% as compared with the last corresponding year.

For the year under review, the Group also recorded a gain on disposal of subsidiaries amounted to HK$37.0 million, which represented the gain on disposal of 30% equity interest in 新余水務置業有限責任公司 and its subsidiary. For the corresponding year under review, the Group recorded a gain on disposal of assets and liabilities classified as held for sale amounted to HK$41.3 million, which represented the gain on disposal of 50% equity interest in 廣東新會水務有限公司. 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 increase in the Group's share of results of associates was also attributable to the increase in the results of China Water Property Group Limited, whose ordinary shares are listed on the mainboard of The Stock Exchange of Hong Kong Limited (stock code: 2349).

PROSPECTS

Looking ahead, the Group sees a sign of steady pace of recovery in the global economies. Despite the commencement of tapering of quantitative easing in the United States, there were no signs of persistent interest rate surge and large scale of fund outflow from emerging markets as previously worried by the market. The recent unconventional measure of negative interest rate imposed by the European Central Bank gives a signal of monetary loosening in the near future. All these are favorable signs of low interest rate environment. On the other hand, the Group sees a consistent growth of China's economy over 7% and accordingly, the Group has strong confidence in the economic growth of China. Urbanisation and green economy are the key elements in the achievement of "Building a Beautiful China". To cope with the sustainable urbanisation in China, solving the issues of water supply and sewage treatment are among the top priorities for the Central Government.

On 27 May 2014, the Group has entered into a facility arrangement of up to a further aggregate loan amount of US$200 million with the Asian Development Bank. The Group considers that it will further strengthen the Group's capability to expand and improve water treatment and distribution services in China. The development of integrated urban-rural water supply system will also expand our coverage and therefore bringing additional revenue, income and other benefits. Besides, the Group will continue to seek and assess different opportunities of acquisitions and cooperations to enlarge our capacities and scale and business mix. The framework cooperation agreement with Hegang Government in March 2014 in respect of the water project represents a new strategic location of the Group in Heilongjiang province. The Group will also closely monitor and assess the existing and potential loans and assets portfolio and strive to capture opportunities to create value for the shareholders.

CONVERTIBLE BONDS

As of 31 March 2013, the Company received redemption notice to redeem the convertible bonds of principal amount of HK$286,700,000 at the total consideration of HK$319,154,000. Such redemption was completed on 15 April 2013. Immediately after completion of the above redemption, the outstanding principal amount of the convertible bonds was HK$187,800,000. In addition, during the year ended 31 March 2014, the Company repurchased convertible bonds with an aggregate principal amount of HK$26,000,000 at the total consideration of HK$29,758,000. After completion of the above repurchase, the outstanding principal amount of the convertible bonds is HK$161,800,000. The Group recognised a loss on repurchase/redemption of the convertible bonds of HK$1,441,000 during the year ended 31 March 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the Group has total cash and deposits balances of approximately HK$1,769.3 million (2013: HK$967.8 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 57.8% (2013: 55.4%) as at 31 March 2014. The current ratio is 1.24 times (2013: 1.04 times) as at 31 March 2014. 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 2014 and subsequent to the reporting date and up to the date of this announcement, 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$*	*HK$*
August 2013	8,042,000	2.91	2.64	22,214,000
September 2013	16,158,000	2.95	2.76	46,150,000
October 2013	13,920,000	3.15	2.97	42,898,000
May 2014	5,192,000	2.67	2.37	13,051,000

During the year ended 31 March 2014, the Company repurchased a total of 38,120,000 ordinary shares of HK$0.01 each in the capital of the Company. Those repurchased shares were cancelled in February 2014. 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.

Subsequent to the reporting date and up to the date of this announcement, the Company repurchased a total of 5,192,000 ordinary shares of HK$0.01 each in the capital of the Company at an aggregate price of approximately HK$13,051,000. Those repurchased shares were not cancelled as at the date of this announcement.

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 2014, the Company has complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, save and except for the deviations from code provisions A.2.1, A.2.7, A.4.2 and A.6.7.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Duan Chuan Liang serves as the Chairman of the Company. The function of chief executive officer is collectively performed by the executive directors (being Mr. Duan Chuan Liang and Ms. Ding Bin). 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 6 September 2013 due to their other business commitments.

HUMAN RESOURCES

As at 31 March 2014, the Group has employed approximately 5,900 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 2014 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 2014 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

Beijing, the PRC, 27 June 2014

As at the date of this announcement, the Board comprises two executive Directors, being Mr. Duan Chuan Liang and Ms. Ding Bin, four non-executive Directors, being Mr. Chen Guo Ru, 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*