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 2015

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 2015 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	4	**2,858,624**	2,746,583
Cost of sales		**(1,506,140)**	(1,599,324)
Gross profit		**1,352,484**	1,147,259
Other income	4	**240,817**	170,432
Selling and distribution costs		**(113,500)**	(96,935)
Administrative expenses		**(473,487)**	(438,692)
Other operating expenses		**(5,341)**	(11,473)
Equity-settled share options expenses		**(34,251)**	–
Fair value gain on investment properties		**141,703**	48,701
Fair value gain/(loss) on financial assets at fair value through profit or loss		**968**	(162)
Change in fair value of derivative financial instruments		**20,368**	(26,181)
Gain/(Loss) on repurchase/redemption of convertible bonds		**116**	(1,441)
Gain on disposal of subsidiaries		**6,874**	37,032

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Profit from operation	5	**1,136,751**	828,540
Finance costs	6	**(117,403)**	(106,902)
Share of results of associates		**2,029**	66,005
Profit before income tax		**1,021,377**	787,643
Income tax expense	7	**(317,031)**	(230,092)
Profit for the year		**704,346**	557,551
Profit for the year attributable to:			
Owners of the Company		**370,858**	281,295
Non-controlling interests		**333,488**	276,256
		704,346	557,551
Earnings per share for profit attributable to owners of the Company during the year	9	***HK cents***	*HK cents*
Basic		**26.17**	19.77
Diluted		**26.17**	19.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015	2014
	HK$'000	*HK$'000*
Profit for the year	**704,346**	557,551
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
– Change in fair value of available-for-sale financial assets	**765**	3,593
– Currency translation	**(85,710)**	52,166
– Share of other comprehensive income of associates	**180**	12,195
– Reclassification adjustment		
– Disposal of subsidiaries	**1,003**	(17,687)
Other comprehensive income for the year, net of tax	**(83,762)**	50,267
Total comprehensive income for the year	**620,584**	607,818
Total comprehensive income attributable to:		
Owners of the Company	**327,064**	315,625
Non-controlling interests	**293,520**	292,193
	620,584	607,818

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,995,282**	5,425,110
Prepaid land lease payments		**466,873**	549,559
Investment properties		**742,305**	485,515
Interests in associates		**1,363,334**	1,341,151
Available-for-sale financial assets		**163,875**	163,816
Goodwill		**239,212**	242,052
Other intangible assets		**175,729**	181,999
Deposits and prepayments		**269,759**	188,618
		9,416,369	8,577,820
Current assets			
Properties under development		**432,695**	596,650
Properties held for sale		**242,945**	37,921
Inventories		**301,217**	248,569
Trade and bills receivables	10	**655,776**	577,610
Amounts due from grantors for contract work		**364,149**	285,557
Financial assets at fair value through profit or loss		**77,380**	1,303
Due from non-controlling equity holders of subsidiaries		**541,602**	348,292
Due from associates		**214,301**	252,298
Prepayments, deposits and other receivables		**925,290**	734,481
Derivative financial assets		**99,952**	77,056
Pledged deposits		**329,925**	179,200
Deposits and cash		**1,500,748**	1,590,125
		5,685,980	4,929,062

	Notes	**2015** **HK$'000**	2014 HK$'000
Current liabilities			
Trade and bills payables	11	**486,361**	529,023
Accrued liabilities, deposits received and other payables		**1,648,225**	1,521,007
Due to associates		**95,158**	67,317
Borrowings		**2,347,068**	1,299,281
Due to non-controlling equity holders of subsidiaries		**211,562**	210,236
Provision for tax		**393,869**	339,840
Convertible bonds		**28,969**	–
Derivative financial liabilities		**2,987**	4,976
		5,214,199	3,971,680
Net current assets		**471,781**	957,382
Total assets less current liabilities		**9,888,150**	9,535,202
Non-current liabilities			
Borrowings		**3,024,468**	3,360,045
Due to non-controlling equity holders of subsidiaries		**–**	13,154
Convertible bonds		**–**	163,461
Deposits received		**107,451**	38,911
Deferred government grants		**78,701**	85,321
Deferred tax liabilities		**241,389**	178,182
		3,452,009	3,839,074
Net assets		**6,436,141**	5,696,128
EQUITY			
Equity attributable to owners of the Company			
Share capital		**14,447**	14,049
Proposed final dividend		**57,787**	42,147
Reserves		**3,851,192**	3,474,235
		3,923,426	3,530,431
Non-controlling interests		**2,512,715**	2,165,697
Total equity		**6,436,141**	5,696,128

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 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 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
HK(IFRIC) 21	Levies

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

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 legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

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. The interpretation has been applied retrospectively.

The adoption of HK (IFRIC) 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

2.2 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 1	Disclosure Initiative[3]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments makes clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the 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 derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs.

2.3 Amended Main Board Listing Rules (as below-mentioned) relating to the presentation and disclosures in financial statements

The amended Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Amended Main Board Listing Rules") in relation to the presentation and disclosures in financial statements, including the amendments with reference to the new Hong Kong Companies Ordinance, Cap. 622, will first apply to the Company in its financial year ending on 31 March 2016.

The Directors consider that there will be no impact on the Group's financial position or performance. However the Amended Main Board Listing Rules would have impacts on the presentation and disclosures in the consolidated financial statements.

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 gain/loss on financial assets at fair value through profit or loss, change in fair value of derivative financial instruments, gain on disposal of subsidiaries, finance costs, share of results of associates, corporate income, corporate expense, income tax expense, gain/loss on repurchase/redemption of convertible bonds and equity-settled share options expenses 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 2015

	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	2,197,263	169,927	114,008	305,037	72,389	–	2,858,624
From inter-segment	46,971	–	–	443	18,091	(65,505)	–
Segment revenue	2,244,234	169,927	114,008	305,480	90,480	(65,505)	2,858,624
Segment profit	941,104	55,568	93,423	45,850	13,790	–	1,149,735
Unallocated corporate income							124,409
Unallocated corporate expense							(131,468)
Equity-settled share options expenses							(34,251)
Gain on disposal of subsidiaries							6,874
Fair value gain on financial assets at fair value through profit or loss							968
Change in fair value of derivative financial instruments							20,368
Gain on repurchase/redemption of convertible bonds							116
Finance costs							(117,403)
Share of results of associates	16,746	–	(17,646)	–	2,929	–	2,029
Profit before income tax							1,021,377
Income tax expense							(317,031)
Profit for the year							704,346
Other segment information							
Addition of investment properties	5,483	–	9,212	–	–	–	14,695
Additions to other non-current segment assets	684,849	3,290	1,694	16,483	90,453	–	796,769
Amortisation of deferred government grants	(6,148)	(259)	–	–	–	–	(6,407)
Amortisation of other intangible assets	2,918	6,500	–	–	–	–	9,418
Depreciation of property, plant and equipment and amortisation of prepaid land lease payments	260,672	556	16,600	6,037	15,010	–	298,875
Property, plant and equipment written off	34	–	–	–	–	–	34
Loss/(Gain) on disposal of property, plant and equipment	500	–	–	(14)	354	–	840
Fair value gain on investment properties	(35,962)	–	(105,741)	–	–	–	(141,703)
Reversal of provision of doubtful debts	(114)	–	–	–	–	–	(114)

	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	**7,529,800**	**611,623**	**1,592,765**	**359,011**	**884,519**	**10,977,718**
Other financial assets						**341,207**
Interests in associates	**191,327**	**–**	**942,666**	**–**	**229,341**	**1,363,334**
Other corporate assets						**2,420,090**
						15,102,349
Segment liabilities	**1,993,473**	**20,282**	**138,133**	**124,651**	**235,680**	**2,512,219**
Deferred tax liabilities						**241,389**
Provision for tax						**393,869**
Other corporate liabilities						**5,518,731**
						8,666,208

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 years ended 31 March 2015 and 2014, 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.

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:

	2015	2014
	HK$'000	*HK$'000*
Revenue:		
Sales of goods	**385,637**	426,094
Sales of properties	**91,270**	360,641
Water supply operation services	**1,248,381**	1,105,697
Water supply construction services – intangible assets	**5,512**	1,069
Water supply related installation	**808,180**	671,050
Sewage treatment operation services	**91,765**	68,708
Sewage treatment construction services – financial assets	**65,760**	3,437
Hotel and rental income	**28,100**	29,119
Finance income	**12,402**	10,210
Income from financial guarantee service	**29,157**	7,489
Others	**92,460**	63,069
Total	**2,858,624**	2,746,583
Other income:		
Interest income	**109,397**	59,634
Government grants and subsidies #	**71,253**	67,928
Amortisation of deferred government grants	**6,407**	2,943
Gain on disposal of property, plant and equipment	**–**	3,134
Dividend income from financial assets	**15,427**	3,753
Miscellaneous income	**38,333**	33,040
Total	**240,817**	170,432

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):

	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**1,506,140**	1,599,324
Depreciation	**282,649**	288,830
Amortisation of prepaid land lease payments	**16,226**	16,388
Amortisation of other intangible assets	**9,418**	9,287
Operating leases in respect of		
– leasehold land and buildings	**20,560**	18,198
– other property, plant and equipment	**32,464**	26,287
Outgoings in respect of investment properties that generated rental income	**234**	–
Staff costs (including directors' emoluments):		
Salaries and wages	**388,869**	320,225
Pension scheme contribution	**57,131**	54,640
Equity-settled share options expenses	**34,251**	–
	480,251	374,865
Loss/(Gain) on disposal of property, plant and equipment	**840**	(3,134)
Goodwill written off	**–**	2,986
Property, plant and equipment written off	**34**	2,965
Reversal of provision of doubtful debts	**(114)**	(2,963)
Net foreign exchange gain	**(7,772)**	(1,913)

6. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans		
– wholly repayable within five years	**142,382**	138,445
– not wholly repayable within five years	**60,399**	60,957
Interest on other borrowings		
– wholly repayable within five years	**42,717**	21,938
– not wholly repayable within five years	**1,568**	3,945
Interest on convertible bonds	**8,004**	13,518
Total borrowing costs	**255,070**	238,803
Less: interest capitalised included in property, plant and equipment and properties under development	**(137,667)**	(131,901)
	117,403	106,902

7. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2015	2014
	HK$'000	*HK$'000*
Current		
– PRC	**255,521**	209,945
Deferred tax	**61,510**	20,147
Total income tax expense	**317,031**	230,092

8. DIVIDENDS

(a) Dividends attributable to the year

	2015	2014
	HK$'000	*HK$'000*
Proposed final dividend		
– HK$0.04 (2014: HK$0.03) per ordinary share	**57,787**	42,147
Interim dividend		
– HK$0.03 (2014: HK$0.02) per ordinary share	**43,216**	28,099
	101,003	70,246

The final dividends proposed after the reporting date for the year ended 31 March 2015 and 2014 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 2015 and 2014 respectively. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.

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

	2015	2014
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year of HK$0.03 (2014: HK$0.03) per ordinary share	**42,147**	43,291
Adjustment to the final dividend *(Note)*	**(155)**	(379)
	41,992	42,912

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$370,858,000 (2014: HK$281,295,000) and the weighted average of approximately 1,416,870,000 (2014: 1,423,190,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2015 and 2014 are the same as the basic earnings per share because the impacts of the potential dilutive ordinary shares outstanding are anti-dilutive.

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:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**258,724**	253,967
91 to 180 days	**145,072**	73,189
Over 180 days	**251,980**	250,454
	655,776	577,610

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:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**273,954**	229,682
91 to 180 days	**61,133**	94,844
Over 180 days	**151,274**	204,497
	486,361	529,023

12. POST REPORTING DATE EVENTS

The Group had the following material events after 31 March 2015:

(a) On 27 April 2015, the Group entered into an agreement with AIRRO Cayman Holdings IV Corp and Ms. Lu Hai, that the Group conditionally acquired 100% of equity interests of Goldtrust Water Holdings Limited and its subsidiaries ("Goldtrust Water Group") and 9.7% of equity interest in Shenzhen Bus Group Co., Ltd. ("Shenzhen Bus Group") at the total cash consideration of US$109,712,736. Goldtrust Water Groups is principally engaged in water supply, sewage treatment and other water related businesses in the PRC and it holds 9.7% equity interest in Shenzhen Bus Group which is principally engaged in providing public bus transportation services in Shenzhen.

Supplemental agreement was entered between the Group and Ms. Lu Hai on 28 April 2015 that the Group issued and alloted 29,207,457 new shares in the Company at HK$4.458 per share as consideration shares for the settlement of cash consideration payable to Ms. Lu Hai in relation to her shareholding interests in Goldtrust Water Group.

The above transaction was completed on 3 June 2015 and the consideration shares were issued on 3 June 2015.

(b) On 15 May 2015, the Company entered into a subscription agreement with International Finance Corporation ("IFC"), pursuant to which IFC conditionally subscribed 36,907,143 new shares of the Company at HK$4.20 each for an aggregate consideration of approximately HK$155 million. The above subscription was completed on 29 May 2015.

(c) On 26 May, 2015, the Group entered into a sale and purchase agreement with an independent third party, that the Group disposed of 1,000,000,000 ordinary shares in Jiu Rong Holdings Limited, representing the Group's entire equity interest in Jiu Rong Holdings Limited, at a total consideration of HK$200 million. The consideration was fully received by the Group and the transaction was completed on 29 May 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2015, the Group recorded a turnover of HK$2,858.6 million, representing an increase of 4.08% from HK$2,746.6 million in last year. The Group recorded a gross profit of HK$1,352.5 million representing an increase of 17.9% from HK$1,147.3 million in last year. For the year under review, the Group recorded a profit for the year attributable to owners of the Company of HK$370.9 million, representing a significant increase of 31.9% from HK$281.3 million in last year. The basic earnings per share increased significantly by 32.4% to HK26.17 cents in current year.

DIVIDENDS

The Directors recommended a final dividend of HK4 cents (2014: 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 Thursday, 3 September 2015 and will be payable on or about Friday, 9 October 2015 to the shareholders whose names appear on the register of members on Tuesday, 15 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 11 September 2015 to Tuesday, 15 September 2015 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 2015, 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 Thursday, 10 September 2015.

BUSINESS REVIEW

The Group's total revenue continuously increased from HK$2,746.6 million for the year ended 31 March 2014 to HK$2,858.6 million for the year ended 31 March 2015, representing an increase of 4.08%. The Group maintained a robust growth in its "Water" segment. For the year under review, the total revenue attributable to the "Water" segment amounted to HK$2,367.2 million, represented an increase of 20.9% when compared with the total "Water" segment revenue of HK$1,957.7 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, Hubei, Henan, Hebei, Hainan, Jiangsu, Jiangxi, Guangdong, Chongqing, Shanxi and Heilongjiang.

For the year under review, the revenue from city water supply operation and construction amounted to HK$2,197.3 million (2014: HK$1,875.4 million), representing an increase of 17.2% 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$941.1 million (2014: HK$730.6 million), representing a significant increase of 28.8% as compared with the last corresponding year.

(ii) Sewage Treatment Business Analysis

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

For the year under review, the revenue from sewage treatment operation and construction business amounted to HK$169.9 million (2014: HK$82.4 million), representing a significant increase of 106.2% as compared with the last corresponding year. The total sewage treatment segment profit (including sewage treatment operating and construction) amounted to HK$55.6 million (2014: HK$31.5 million), representing a significant increase of 76.5% 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 Beijing, Chongqing, Jiangxi, Hubei and Hunan provinces of China.

For the year under review, the revenue from the property business segment amounted to HK$114.0 million (2014: HK$385.3 million). The total property business segment profit amounted to HK$93.4 million (2014: HK$90.3 million), representing an increase of 3.4% as compared with the last corresponding year, which was mainly due to the sales of property projects in Jiangxi and Hubei provinces and the fair value gain on investment properties amounted to HK$141.7 million (fair value gain on investment properties in 2014: HK$48.7 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$305.0 million (2014: HK$356.6 million), representing a decrease of 14.5% as compared with the last corresponding year. The total concrete business segment profit amounted to HK$45.9 million (2014: HK$44.7 million), representing an increase of 2.7% as compared with the last corresponding year.

For the year under review, the decrease in the Group's share of results of associates was also attributable to the decrease in the contribution by China City Infrastructure Group Limited (formerly known as China Water Property Group Limited, whose ordinary shares are listed on the mainboard of The Stock Exchange of Hong Kong Limited (stock code: 2349). For the year under review, the Group also recorded a gain on disposal of subsidiary amounted to HK$6.9 million, which represented the gain on disposal of 40% equity interest in 深圳銀龍水務有限公司. For the corresponding 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. 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.

PROSPECTS

Looking ahead, the Chinese Government continues to attach great importance to the sustainable growth and eco-friendly society. This is not only part of the ecological safety issue, but also becomes a national strategy for sustainable development. Among others, water conservancy is the upmost important.

The Central Government has been actively taking measures to deepen the reform of China water industry. These include promoting the adoption of the Public-Private Partnership (PPP) model to attract the social capital for better development of public infrastructure and utilities, which in turn leads to safe and sustainable public services. Recently this year, the State Council issued "Measures for the management of infrastructure and public utilities concession" (基礎設施和公用事業特許經營管理辦法) which set out clearly that the concession should be granted to the industry participants with good experience and expertise, fund raising capabilities and good credit record. With the strong foundation built over the decade in the water industry, the Group is well-positioned to seize the increased market opportunities under the new regime. In addition, pursuant to the "Water Ten-Plan" (水污染防治行動計劃) issued by the State Council, which is regarded as one of the most significant measures and plans in water prevention and cure, progressive water tariff should be implemented in county or above cities by the end of 2015. All these are expected to have favorable impact on the Group's water revenue.

In view of the hugh market potential of China water industry, the Group will adjust its strategy to primarily focus on the core businesses of water supply and sewage treatment and reduce the resources on other noncore businesses. The Group will also strive to increase its market share and thus population served in the water businesses. It can be foreseen that, under the encouragement and support by the country's macro polices, water supply and the water industry will be greeted by an era of rapid growth.

CAPITAL RAISING

On 27 April 2015, the Group entered into an agreement with AIRRO Cayman Holdings IV Corp and Ms. Lu Hai, that the Group conditionally acquired 100% of equity interests of Goldtrust Water Holdings Limited and its subsidiaries ("Goldtrust Water Group") and 9.7% of equity interest in Shenzhen Bus Group Co., Ltd. ("Shenzhen Bus Group") at the total cash consideration of US$109,712,736. Goldtrust Water Groups is principally engaged in water supply, sewage treatment and other water related businesses in the PRC and it holds 9.7% equity interest in Shenzhen Bus Group which is principally engaged in providing public bus transportation services in Shenzhen.

Supplemental agreement was entered between the Group and Ms. Lu Hai on 28 April 2015 that the Group issued and alloted 29,207,457 new shares in the Company at HK$4.458 per share as consideration shares for the settlement of cash consideration payable to Ms. Lu Hai in relation to her shareholding interests in Goldtrust Water Group. The consideration shares were issued on 3 June 2015.

On 15 May 2015, the Company entered into a subscription agreement with International Finance Corporation ("IFC"), pursuant to which IFC conditionally subscribed 36,907,143 new shares of the Company at HK$4.20 each. On 29 May 2015, the subscription was completed and raised gross proceeds of approximately HK$155 million (before expenses) which will be used for general working capital and business development of the Group. As at the date of this announcement, all the relevant proceeds have been used for the Group's acquisition of Goldtrust Water Group.

CONVERTIBLE BONDS

During the year ended 31 March 2015, the Company repurchased convertible bonds with an aggregate principal amount of HK$5,000,000 at the total consideration of HK$5,960,000 and converted, at the request of bondholders, convertible bonds in principal amount of HK$129,500,000 into ordinary shares at conversion price of HK$2.88. The Group recognised a gain on repurchase of the convertible bonds of HK$116,000 during the year ended 31 March 2015. As at 31 March 2015, the outstanding principal amount of the convertible bonds is HK$27,300,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2015, the Group has total cash and deposits balances of approximately HK$1,830.7 million (2014: HK$1,769.3 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 57.4% (2014: 57.8%) as at 31 March 2015. The current ratio is 1.09 times (2014: 1.24 times) as at 31 March 2015. 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 2015, 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$*	*HK$*
May 2014	5,192,000	2.67	2.37	13,051,000

During the year ended 31 March 2015, the Company repurchased a total of 5,192,000 ordinary shares of HK$0.01 each in the capital of the Company. Those repurchased shares were cancelled in July 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.

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 2015, 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. 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 5 September 2014 due to their other business commitments.

HUMAN RESOURCES

As at 31 March 2015, the Group has employed approximately 6,400 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 2015 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 2015 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, 29 June 2015

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Duan Chuan Liang, Ms. Ding Bin, Ms. Liu Yu Jie and Mr. Li Zhong, four non-executive Directors, being Mr. Zhao Hai Hu, Mr. Zhou Wen Zhi, Mr. Makoto Inoue and Ms. Wang Xiaoqin, 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*