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中國水務集團有限公司*
China Water Affairs Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 855)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2016

KEY HIGHLIGHTS

- The Group recorded a revenue of HK$4,032.9 million, representing a significant increase of 41.1% from HK$2,858.6 million in last year.
- The revenue from city water supply operation and construction amounted to HK$3,293.3 million (2015: HK$2,197.3 million), representing a significant increase of 49.9% as compared with the last corresponding year. The relevant segment profit amounted to HK$1,270.7 million (2015: HK$941.1 million), representing a significant increase of 35.0% as compared with the last corresponding year.
- The revenue from sewage treatment and drainage operation and construction amounted to HK$339.0 million (2015: HK$169.9 million), representing a significant increase of 99.5% as compared with the last corresponding year. The relevant segment profit amounted to HK$184.1 million (2015: HK$55.6 million), representing a significant increase of 231.1% as compared with the last corresponding year.
- The combined revenue from city water supply operation and construction and sewage treatment and drainage operation and construction business amounted to HK$3,632.3 million (2015: HK$2,367.2 million), representing a significant increase of 53.4% as compared with the last corresponding year. The relevant combined segment profit amounted to HK$1,454.9 million (2015: HK$996.7 million), representing a significant increase of 46.0% as compared with the last corresponding year.
- Profit for the year attributable to owners of the Company was HK$551.8 million, representing a significant increase of 48.8% from HK$370.9 million in last year.
- Earnings before interest, taxes, depreciation and amortisation which is calculated as profit from operation before depreciation and amortisation amounted to HK$1,799.8 million, representing a significant increase of 24.6% from HK$1,445.0 million in last year.
- Basic earnings per share for the year was HK36.58 cents, representing a significant increase of 39.8% from HK26.17 cents in last year.
- In consideration of the satisfactory results, the board of directors has proposed to pay the equity shareholders of the Company a final dividend of HK5 cents per share. Together with the interim dividend of HK3 cents per share, the total dividends for the year will be HK8 cents per share (2015: HK7 cents per share).

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 2016 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Revenue	4	**4,032,912**	2,858,624
Cost of sales		**(2,132,370)**	(1,506,140)
Gross profit		**1,900,542**	1,352,484
Other income	4	**300,661**	240,817
Selling and distribution costs		**(123,257)**	(113,500)
Administrative expenses		**(571,757)**	(473,487)
Other operating expenses		**(27,506)**	(5,341)
Equity-settled share options expenses		**(47,982)**	(34,251)
Fair value gain on investment properties		**52,900**	141,703
Fair value gain on financial assets at fair value through profit or loss		**8**	968
Change in fair value of derivative financial instruments		**(32,948)**	20,368
(Loss)/Gain on repurchase/redemption of convertible bonds		**(33)**	116
(Loss)/Gain on disposal of subsidiaries		**(1,488)**	6,874
Profit from operation	5	**1,449,140**	1,136,751
Finance costs	6	**(170,824)**	(117,403)
Share of results of associates		**29,517**	2,029
Profit before income tax		**1,307,833**	1,021,377
Income tax expense	7	**(304,867)**	(317,031)
Profit for the year		**1,002,966**	704,346

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Profit for the year attributable to:			
Owners of the Company		**551,758**	370,858
Non-controlling interests		**451,208**	333,488
		1,002,966	704,346
Earnings per share for profit attributable to owners of the Company during the year	9	***HK cents***	*HK cents*
Basic		**36.58**	26.17
Diluted		**36.42**	26.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**1,002,966**	704,346
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
– Change in fair value of available-for-sale financial assets	**6,823**	765
– Currency translation	**(175,672)**	(85,710)
– Share of other comprehensive income of associates	**(45,342)**	180
– Reclassification adjustment		
– Disposal of subsidiaries	**173**	1,003
Other comprehensive income for the year, net of tax	**(214,018)**	(83,762)
Total comprehensive income for the year	**788,948**	620,584
Total comprehensive income attributable to:		
Owners of the Company	**393,589**	327,064
Non-controlling interests	**395,359**	293,520
	788,948	620,584

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,715,770**	5,995,282
Prepaid land lease payments		**555,104**	466,873
Investment properties		**908,346**	742,305
Interests in associates		**1,333,517**	1,363,334
Available-for-sale financial assets		**226,767**	163,875
Goodwill		**663,668**	239,212
Other intangible assets		**763,973**	175,729
Deposits and prepayments		**145,790**	269,759
Deferred tax assets		**51,621**	–
		11,364,556	9,416,369
Current assets			
Properties under development		**523,551**	432,695
Properties held for sale		**273,302**	242,945
Inventories		**288,606**	301,217
Trade and bills receivables	10	**1,083,551**	655,776
Amounts due from grantors for contract work		**570,505**	364,149
Financial assets at fair value through profit or loss		**879**	77,380
Due from non-controlling equity holders of subsidiaries		**307,572**	541,602
Due from associates		**402,855**	214,301
Prepayments, deposits and other receivables		**970,239**	925,290
Derivative financial assets		**67,004**	99,952
Pledged deposits		**466,762**	329,925
Deposits and cash		**2,551,836**	1,500,748
		7,506,662	5,685,980

	Notes	**2016** **HK$'000**	2015 HK$'000
Current liabilities			
Trade and bills payables	11	**855,236**	486,361
Accrued liabilities, deposits received and other payables		**1,781,646**	1,648,225
Due to associates		**49,772**	95,158
Borrowings		**2,155,788**	2,347,068
Due to non-controlling equity holders of subsidiaries		**190,382**	211,562
Provision for tax		**524,147**	393,869
Convertible bonds		**–**	28,969
Derivative financial liabilities		**–**	2,987
		5,556,971	5,214,199
Net current assets		**1,949,691**	471,781
Total assets less current liabilities		**13,314,247**	9,888,150
Non-current liabilities			
Borrowings		**5,076,242**	3,024,468
Deposits received		**192,415**	107,451
Due to associates		**11,951**	–
Due to non-controlling equity holders of subsidiaries		**17,073**	–
Deferred government grants		**99,809**	78,701
Deferred tax liabilities		**329,373**	241,389
		5,726,863	3,452,009
Net assets		**7,587,384**	6,436,141
EQUITY			
Equity attributable to owners of the Company			
Share capital		**15,199**	14,447
Proposed final dividend		**75,993**	57,787
Reserves		**4,512,932**	3,851,192
		4,604,124	3,923,426
Non-controlling interests		**2,983,260**	2,512,715
Total equity		**7,587,384**	6,436,141

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 new/revised HKFRSs

In the current year, the Group has applied for the first time the following new or revised 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 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

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

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

The following new or 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[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] No mandatory effective date yet determined but is available for adoption
[4] Effective for annual periods beginning on or after 1 January 2019

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 (2014) 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 (2014) 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 (2014) 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 (2014) 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.

HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 "Leases", HK(IFRIC) — Int 4 "Determining whether an Arrangement contain a Lease", HK(SIC) — Int 15 "Operating Lease — Incentives" and HK(SIC) — Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 "Leases". Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

2.3 New Hong Kong Companies Ordinance, Cap. 622

The Group has adopted the amendments to the Listing Rules relating to the disclosure of financial information with reference to the new Hong Kong Companies Ordinance, Cap. 622, in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

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 and drainage operation and construction" segments, involves the provision of water supply, sewage treatment and drainage 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 on financial assets at fair value through profit or loss, change in fair value of derivative financial instruments, gain/loss 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 2016

	City water supply operation and construction *HK$'000*	Sewage treatment and drainage operation and construction *HK$'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	3,293,314	338,979	23,296	300,102	77,221	–	4,032,912
From inter-segment	2,764	36	–	399	22,694	(25,893)	–
Segment revenue	3,296,078	339,015	23,296	300,501	99,915	(25,893)	4,032,912
Segment profit	1,270,724	184,148	44,076	52,101	8,369	–	1,559,418
Unallocated corporate income							118,013
Unallocated corporate expense							(145,848)
Equity-settled share options expenses							(47,982)
Loss on disposal of a subsidiary							(1,488)
Fair value gain on financial assets at fair value through profit or loss							8
Change in fair value of derivative financial instruments							(32,948)
Loss on repurchase/redemption of convertible bonds							(33)
Finance costs							(170,824)
Share of results of associates	20,460	246	(76,444)	–	85,255	–	29,517
Profit before income tax							1,307,833
Income tax expense							(304,867)
Profit for the year							1,002,966
Other segment information							
Additions of investment properties	–	–	4,707	–	–	–	4,707
Additions to other non-current segment assets	1,162,170	36,271	79,258	5,262	13,754	–	1,296,715
Amortisation of deferred government grants	(4,742)	(433)	–	–	(42)	–	(5,217)
Amortisation of other intangible assets	2,764	6,341	–	–	–	–	9,105
Depreciation of property, plant and equipment and amortisation of prepaid land lease payments	303,144	8,569	8,730	7,655	13,426	–	341,524
Property, plant and equipment written off	7,840	–	–	–	1,971	–	9,811
Loss on disposal of property, plant and equipment	631	104	–	158	880	–	1,773
Gain on disposal of prepaid land lease payments	(30,728)	–	–	–	–	–	(30,728)
Fair value gain on investment properties	–	–	(52,900)	–	–	–	(52,900)
Provision/(Reversal of provision) of doubtful debts	5,611	–	–	–	(27)	–	5,584

	City water supply operation and construction *HK$'000*	Sewage treatment and drainage operation and construction *HK$'000*	Property development and investment *HK$'000*	Concrete related products and services *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Segment assets	9,707,512	1,059,555	1,766,614	293,768	902,348	13,729,797
Other financial assets						294,650
Interests in associates	329,660	9,238	868,177	–	126,442	1,333,517
Deferred tax assets						51,621
Other corporate assets						3,461,633
						18,871,218
Segment liabilities	2,494,241	116,288	120,337	87,549	122,589	2,941,004
Deferred tax liabilities						329,373
Provision for tax						524,147
Other corporate liabilities						7,489,310
						11,283,834

For the year ended 31 March 2015

	City water supply operation and construction *HK$'000*	Sewage treatment and drainage operation and construction *HK$'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							
Additions 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$'000*	Sewage treatment and drainage operation and construction *HK$'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 years ended 31 March 2016 and 2015, 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:

	2016	2015
	HK$'000	*HK$'000*
Revenue:		
Sales of goods	**354,079**	385,637
Sales of properties	**–**	91,270
Water supply operation services	**1,447,242**	1,248,381
Water supply related installation	**1,179,321**	808,180
Water supply construction services – intangible assets	**588,900**	5,512
Sewage treatment and drainage operation services	**279,027**	91,765
Sewage treatment construction services – financial assets	**26,312**	65,760
Sewage treatment construction services – intangible assets	**12,899**	–
Hotel and rental income	**28,875**	28,100
Finance income	**20,741**	12,402
Income from financial guarantee service	**14,645**	29,157
Others	**80,871**	92,460
Total	**4,032,912**	2,858,624
Other income:		
Interest income	**98,445**	109,397
Government grants and subsidies[#]	**67,291**	71,253
Amortisation of deferred government grants	**5,217**	6,407
Gain on disposal of prepaid land lease payments	**30,728**	–
Dividend income from financial assets	**17,432**	15,427
Compensation for early termination of a service concession arrangement	**29,364**	–
Miscellaneous income	**52,184**	38,333
Total	**300,661**	240,817

[#] 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):

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**2,132,370**	1,506,140
Depreciation	**323,972**	282,649
Amortisation of prepaid land lease payments	**17,552**	16,226
Amortisation of other intangible assets	**9,105**	9,418
Operating leases in respect of		
– leasehold land and buildings	**27,973**	20,560
– other property, plant and equipment	**33,429**	32,464
Outgoings in respect of investment properties that generated rental income	**–**	234
Staff costs (including directors' emoluments):		
Salaries and wages	**474,868**	388,869
Pension scheme contribution	**81,259**	57,131
Equity-settled share options expenses	**47,982**	34,251
	604,109	480,251
Loss on disposal of property, plant and equipment	**1,773**	840
Gain on disposal of prepaid land lease payments	**(30,728)**	–
Property, plant and equipment written off	**9,811**	34
Provision/(Reversal of provision) of doubtful debts	**5,584**	(114)
Net foreign exchange loss/(gain)	**5,878**	(7,772)

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans	**208,646**	202,781
Interest on other borrowings	**119,944**	44,285
Interest on convertible bonds	**69**	8,004
Total borrowing costs	**328,659**	255,070
Less: interest capitalised included in property, plant and equipment, other intangible assets and properties under development	**(157,835)**	(137,667)
	170,824	117,403

7. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2016	2015
	HK$'000	*HK$'000*
Current		
– PRC	**289,532**	255,521
Deferred tax	**15,335**	61,510
Total income tax expense	**304,867**	317,031

8. DIVIDENDS

(a) Dividends attributable to the year

	2016	2015
	HK$'000	*HK$'000*
Proposed final dividend		
– HK$0.05 (2015: HK$0.04) per ordinary share	**75,993**	57,787
Interim dividend		
– HK$0.03 (2015: HK$0.03) per ordinary share	**45,596**	43,216
	121,589	101,003

The final dividends proposed after the reporting date for the year ended 31 March 2016 and 2015 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 2016 and 2015 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

	2016	2015
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year of HK$0.04 (2015: HK$0.03) per ordinary share	**57,787**	42,147
Adjustment to the final dividend *(Note)*	**3,007**	(155)
	60,794	41,992

Note: The adjustment was made due to shares issued/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$551,758,000 (2015: HK$370,858,000) and the weighted average of approximately 1,508,489,000 (2015: 1,416,870,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK$551,860,000, after the adjustment to reflect the effect of conversion of convertible bonds which is HK$102,000, and on the weighted average of 1,515,214,000 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,508,489,000 used in basic earnings per share calculation and adjusted for the effect of share options existing during the year of 6,424,000 shares and the effect of conversion of convertible bonds existing during the year of 301,000 shares.

Diluted earnings per share for the year ended 31 March 2015 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 and bills receivables based on invoice dates is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**627,052**	258,724
91 to 180 days	**229,133**	145,072
Over 180 days	**227,366**	251,980
	1,083,551	655,776

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:

	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**517,141**	273,954
91 to 180 days	**183,559**	61,133
Over 180 days	**154,536**	151,274
	855,236	486,361

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2016, the Group recorded a turnover of HK$4,032.9 million, representing a significant increase of 41.1% from HK$2,858.6 million in last year. The Group recorded a gross profit of HK$1,900.5 million representing a significant increase of 40.5% from HK$1,352.5 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$551.8 million, representing a significant increase of 48.8% from HK$370.9 million in last year. The basic earnings per share increased significantly by 39.8% to HK36.58 cents in current year.

DIVIDENDS

The Directors recommended a final dividend of HK5 cents (2015: HK4 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, 2 September 2016 and will be payable on or about Friday, 14 October 2016 to the shareholders whose names appear on the register of members on Tuesday, 13 September 2016.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from Friday, 9 September 2016 to Tuesday, 13 September 2016 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 2016, 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, 8 September 2016.

BUSINESS REVIEW

The Group's total revenue continuously increased from HK$2,858.6 million for the year ended 31 March 2015 to HK$4,032.9 million for the year ended 31 March 2016, representing a significant increase of 41.1%. The Group recorded a robust growth in its "Water" segment. For the year under review, the total revenue attributable to the "Water" segment amounted to HK$3,632.3 million, which represented approximately 90.1% of the total revenue. For the corresponding year under review, the total revenue attributable to the "Water" segment amounted to HK$2,367.2 million, which represented approximately 82.8% of the total revenue only. This represented a strong growth of "Water" segment revenue by 53.4%, which was mainly attributable to the successful strategy of the Group through procurement of more construction and installation work, increase in operating efficiency and tariff of the water supply and sewage treatment plants and various mergers and acquisition.

(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, Shenzhen, Guangdong, Beijing, Chongqing, Shandong, Shanxi and Heilongjiang.

For the year under review, the revenue from city water supply operation and construction amounted to HK$3,293.3 million (2015: HK$2,197.3 million), representing a significant increase of 49.9% as compared with the last corresponding year. The city water supply segment profit (including city water supply, water related installation works and meter installation) amounted to HK$1,270.7 million (2015: HK$941.1 million), representing a significant increase of 35.0% as compared with the last corresponding year. This was mainly because of procurement of more construction and installation work driven by the continuation of urban-rural integration and the promotion of the Public-Private Partnership model in the water sector and the additional contribution from the acquisition of Goldtrust Water Holdings Limited and its subsidiaries ("Goldtrust Water Group") and other new water projects during the year.

(ii) Sewage Treatment Business Analysis

Sewage treatment projects of the Group are well spread in various provincial cities and regions across China, including Beijing, Tianjin, Shenzhen, Guangdong, Henan, Hebei, Hubei, Jiangsu, Jiangxi and Shaanxi.

For the year under review, the revenue from sewage treatment and drainage operation and construction business amounted to HK$339.0 million (2015: HK$169.9 million), representing a significant increase of 99.5% as compared with the last corresponding year. The sewage treatment and drainage segment profit (including sewage treatment and drainage operating and construction) amounted to HK$184.1 million (2015: HK$55.6 million), representing a significant increase of 231.1% as compared with the last corresponding year, which was mainly attributable to the additional contribution from the acquisition of Goldtrust Water Group and 惠州市銀龍實業有限公司 and its subsidiary during the year.

(iii) Property Business Analysis

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

For the year under review, the revenue from the property business segment amounted to HK$23.3 million (2015: HK$114.0 million). The total property business segment profit amounted to HK$44.1 million (2015: HK$93.4 million), representing a decrease of 52.8% as compared with the last corresponding year, which was mainly because no sales of property projects were recorded and the fair value gain on investment properties decreased by HK$88.8 million (2015: fair value gain of HK$141.7 million) in current year.

(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$300.1 million (2015: HK$305.0 million). The total concrete business segment profit amounted to HK$52.1 million (2015: HK$45.9 million), representing an increase of 13.5% as compared with the last corresponding year.

For the year under review, the overall increase in the Group's share of results of associates was mainly attributable to the disposal of entire interest in Jiu Rong Holdings Limited, whose ordinary shares are listed on the mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2358), resulting in a gain of HK$87.6 million. For the year under review, the Group also recorded a loss on share of results of China City Infrastructure Group Limited, whose ordinary shares are listed on the Stock Exchange (stock code: 2349), in an amount of HK$73.7 million (2015: HK$4.7 million).

PROSPECTS

The water shortage issue in China has been impacting directly the sustainability of Chinese economy, as well as hindering the economic development and industry planning. While urbanization serves as a significant platform of Chinese economic growth, provision of safe drinking water remains one of the key concerns for future development. In this regard, the Chinese government has further intensified its support by policies to the industry and accelerated the implementation of relevant policies.

During the period under review, the State Council issued the "Guiding Opinions on the Promotion of the Public-Private Partnership Model in the Public Services Sectors", which is an essential document highlighting the importance of enhancement of both quantity and quality of public goods and services, the provision of which in the future shall drive Chinese economy to grow in a medium-to-high speed under the new normal. This may not only help resolving effectively the public's drinking water safety issue and satisfying the needs for economic growth with the social capital and operations, but also further eliminate boundaries that hinder the social capital entering the public sectors, and substantially expand the room for development of the social capital, especially the private capital.

The "Water Ten Plan" issued around the time further laid emphasis on maximising the effects of market mechanism and accelerating the tariff reform. The policy aiming at cancelling levies and imposing taxes on water resources will lay the foundation at the source for applying the market pricing mechanism on water tariff by legal means. As the water tariff reform and progressive water tariff system being implemented throughout the country, the profit growth and investment returns of the Company will be benefited in the future.

Recently, the National Development and Reform Commission, leading the other 11 departments, including the Ministry of Finance and the Legislative Affairs Office of the State Council, is accelerating the procedure of legislation on the Public-Private Partnership ("PPP"). In the performance assessment documents regarding the funds for urban pipeline network projects, the Ministry of Finance and Ministry of Housing and Urban-Rural Development have included the implementation of PPP into the performance assessment systems of both of the Underground Comprehensive Pipeline Pilot and the Spongy City Construction. This will cast a positive impact on the investments of private capital in heavy assets areas by the way of PPP model. As the PPP model is being continuously promoted throughout the country, the trend of the governments purchasing public services and encouraging the participation of social sectors shall be continued, which provides continuing development momentum and opportunities for the water industry.

2016 represents the onset of the Thirteenth Five-Year Plan. The Company will seize the development opportunities created by the favourable policies in China and react proactively to the new situation and new challenges. The Group will keep on optimising and implementing its industry planning. Our management centres in the north and south of China will be based in Beijing and Shenzhen respectively, to coordinate the water business development in the various region in China and foster the stable development of the water business under the current favourable policies. We will also accelerate the disposal of non-core assets, and concentrated on maximising the core businesses proactively, so as to finance mergers and acquisitions in the future. While strengthening internal management and enhancing operational efficiency, we are also strive to explore mergers and acquisitions and opportunities for other cooperations, with an aim of expanding businesses and optimising industry planning, so as to maximise the value of the Group's overall core business and enhance internal efficiency, and provide better returns to our shareholders.

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 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 Group is principally engaged in water supply, sewage treatment and drainage operation 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. All the relevant proceeds have been used for the Group's acquisition of Goldtrust Water Group.

CONVERTIBLE BONDS

During the year ended 31 March 2016, the Company converted, at the request of bondholders, convertible bonds in principal amount of HK$26,100,000 into ordinary shares at conversion price of HK$2.88. After the completion of conversion, the outstanding principal amount of the convertible bonds of HK$1,200,000 was fully repaid during the year ended 31 March 2016. The Group recognised a loss on redemption of the convertible bonds of HK$33,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group has total cash and deposits balances of approximately HK$3,018.6 million (2015: HK$1,830.7 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 59.8% (2015: 57.4%) as at 31 March 2016. The current ratio is 1.35 times (2015: 1.09 times) as at 31 March 2016. 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's ordinary shares during the year ended 31 March 2016. 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** *HK$*	**Lowest price per share** *HK$*	**Aggregate consideration (excluding expenses)** *HK$*
April 2016	1,002,000	3.84	3.37	3,648,000
May 2016	7,158,000	4.01	3.83	28,196,000

Subsequent to the reporting date and up to the date of this announcement, the Company repurchased a total of 8,160,000 ordinary shares of HK$0.01 each in the capital of the Company at an aggregate price of approximately HK$31,844,000. 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.

CORPORATE GOVERNANCE

During the year ended 31 March 2016, 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.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.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 role 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 2 September 2015 due to their other business commitments.

HUMAN RESOURCES

As at 31 March 2016, the Group has employed approximately 7,100 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 2016 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, Mr. Siu Chi Ming and Ms. Liu Dong. The annual results of the Group for the year ended 31 March 2016 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, 27 June 2016

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. Liu Dong, Mr. Chau Kam Wing, Mr. Ong King Keung and Mr. Siu Chi Ming.

* *For identification purposes only*