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 2020

KEY HIGHLIGHTS

- The Group recorded a revenue of HK$8,694.3 million, representing a steady increase of 4.7% from HK$8,302.2 million in last year.

- The average exchange rate of Renmibi to Hong Kong Dollar adopted by the Group for financial reporting purpose depreciated by approximately 4.5% as compared with the last corresponding year.

- Revenue composition of city water supply operation and construction segment remained robust. Revenue contribution from water supply operation services and water supply connection income amounted to HK$4,022.1 million (2019: HK$3,655.0 million), representing a steady increase of 10.0% as compared with the last corresponding year. Revenue contribution from water supply construction services amounted to HK$3,081.2 million (2019: HK$2,630.5 million), representing a steady increase of 17.1% as compared with the last corresponding year. The revenue from city water supply operation and construction segment amounted to HK$7,224.2 million (2019: HK$6,376.1 million), representing a steady increase of 13.3% as compared with the last corresponding year. The revenue from city water supply operation and construction segment represented approximately 83.1% (2019: 76.8%) of the total revenue. The city water supply segment profit (including city water supply, water related connection works and construction services) amounted to HK$2,956.1 million (2019: HK$2,618.7 million), representing a steady increase of 12.9% as compared with the last corresponding year.

- Revenue contribution from sewage treatment and drainage operation services amounted to HK$334.2 million (2019: HK$319.5 million), representing a steady increase of 4.6% as compared with the last corresponding year. Revenue contribution from sewage treatment and water environmental renovation construction services amounted to HK$613.7 million (2019: HK$1,086.1 million), representing a significant decrease of 43.5% as compared with the last corresponding year. The revenue from environmental protection segment amounted to HK$1,073.9 million (2019: HK$1,522.3 million), representing a significant decrease of 29.5% as compared with the last corresponding year. The revenue from environmental protection segment represented approximately 12.4% (2019: 18.3%) of the total revenue. The environmental protection segment profit (including sewage treatment and drainage operating and construction, solid waste and hazardous waste business, environmental sanitation and water environment management) amounted to HK$276.3 million (2019: HK$443.9 million), representing a significant decrease of 37.8% as compared with the last corresponding year.

- Earnings before interest, taxes, depreciation and amortisation which is calculated as profit before finance costs, income tax, depreciation and amortisation amounted to HK$4,213.5 million, representing a steady increase of 17.8% from HK$3,575.8 million in last corresponding year.

- Profit for the year attributable to owners of the Company was HK$1,639.5 million, representing a steady increase of 19.7% from HK$1,369.2 million in last corresponding year.

- Basic earnings per share for the year was HK102.12 cents, representing a steady increase of 20.0% from HK85.10 cents in last corresponding 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 HK16 cents per share. Together with the interim dividend of HK14 cents per share, the total dividends for the year will be HK30 cents per share (2019: HK28 cents per share), representing a steady increase of 7.1% as compared with the last corresponding year.

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 2020 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	4	**8,694,303**	8,302,211
Cost of sales		**(4,935,818)**	(4,838,372)
Gross profit		**3,758,485**	3,463,839
Other income	4	**370,563**	300,258
Selling and distribution costs		**(199,135)**	(191,436)
Administrative expenses		**(735,335)**	(655,232)
Other operating expenses		**(13,121)**	(13,067)
(Loss)/gain on disposal of subsidiaries, net		**(348)**	117,841
Operating profit	6	**3,181,109**	3,022,203
Finance costs	7	**(429,215)**	(319,185)
Share of results of associates		**412,615**	69,041
Profit before income tax		**3,164,509**	2,772,059
Income tax expense	8	**(657,220)**	(641,776)
Profit for the year		**2,507,289**	2,130,283

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Profit for the year attributable to:			
Owners of the Company		**1,639,495**	1,369,235
Non-controlling interests		**867,794**	761,048
		2,507,289	2,130,283
Earnings per share for profit attributable to owners of the Company during the year	10	***HK cents***	*HK cents*
Basic		**102.12**	85.10
Diluted		**102.12**	85.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 *HK$'000*	2019 *HK$'000*
Profit for the year	**2,507,289**	2,130,283
Other comprehensive (loss)/income		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	**(832,644)**	(473,983)
– Recycling of currency translation differences upon disposal of subsidiaries	**(258)**	(3,865)
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	**2,964**	60,000
– Share of other comprehensive loss of an associate	**(1,814)**	–
Other comprehensive loss for the year, net of tax	**(831,752)**	(417,848)
Total comprehensive income for the year	**1,675,537**	1,712,435
Total comprehensive income attributable to:		
Owners of the Company	**1,008,628**	1,080,910
Non-controlling interests	**666,909**	631,525
	1,675,537	1,712,435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,224,200**	2,019,900
Prepaid land lease payments		**–**	901,423
Right-of-use assets		**1,297,830**	–
Investment properties		**1,031,042**	912,335
Interests in associates		**2,227,812**	676,035
Financial assets at fair value through other comprehensive income		**358,285**	349,225
Goodwill		**1,320,004**	1,220,394
Other intangible assets		**17,558,146**	15,293,235
Prepayments, deposits and other receivables		**894,863**	1,500,105
Contract assets		**670,545**	540,779
Receivables under service concession arrangements		**1,031,570**	1,079,365
		28,614,297	24,492,796
Current assets			
Properties under development		**1,505,720**	1,273,890
Properties held for sale		**751,533**	816,189
Inventories		**630,394**	530,990
Contract assets		**295,993**	233,484
Receivables under service concession arrangements		**62,361**	61,967
Trade and bills receivables	11	**1,324,787**	1,242,864
Financial assets at fair value through profit or loss		**292,135**	489,340
Due from non-controlling equity holders of subsidiaries		**211,072**	288,194
Due from associates		**13,411**	227,416
Prepayments, deposits and other receivables		**1,597,350**	1,549,667
Pledged deposits		**963,236**	644,524
Cash and cash equivalents		**5,640,664**	3,973,315
		13,288,656	11,331,840

	Notes	2020 HK$'000	2019 HK$'000
Current liabilities			
Lease liabilities		**30,966**	–
Contract liabilities		**906,157**	648,134
Trade and bills payables	12	**3,106,708**	2,410,098
Accrued liabilities, deposits received and other payables		**2,482,964**	1,979,082
Due to associates		**121,805**	46,093
Borrowings		**4,090,990**	3,437,483
Due to non-controlling equity holders of subsidiaries		**163,642**	219,048
Provision for tax		**1,432,744**	1,278,874
		12,335,976	10,018,812
Net current assets		**952,680**	1,313,028
Total assets less current liabilities		**29,566,977**	25,805,824
Non-current liabilities			
Borrowings		**13,298,027**	11,494,131
Lease liabilities		**335,379**	–
Contract liabilities		**276,453**	273,133
Due to non-controlling equity holders of subsidiaries		**412,979**	27,784
Deferred government grants		**202,213**	225,583
Deferred tax liabilities		**943,423**	882,723
		15,468,474	12,903,354
Net assets		**14,098,503**	12,902,470
EQUITY			
Equity attributable to owners of the Company			
Share capital		**16,040**	16,089
Reserves		**8,491,670**	7,954,377
		8,507,710	7,970,466
Non-controlling interests		**5,590,793**	4,932,004
Total equity		**14,098,503**	12,902,470

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. NEW STANDARD, AMENDMENTS TO STANDARDS AND INTERPRETATION

During the year, the Group adopted the following new standard, amendments to standards and interpretation which are relevant to the Group's operation and are mandatory for the year ended 31 March 2020.

Annual Improvements Project	Annual Improvements to 2015-2017 Cycle
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments

The Group has changed its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new standard retrospectively but has not restated comparative information as of 1 April 2019. This is disclosed in note 3 below. The other amendments to standards and interpretation adopted by the Group did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in note 2 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 April 2019, but has not restated comparatives information for the 2019 reporting period, as permitted under the specific transition provisions under HKFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.95%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- the use of recognition exemption to leases with a remaining lease term of 12 months or less at 1 April 2019;
- the use of recognition exemption to leases for which the underlying asset is of low value;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining lease term at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

The Group had operating lease commitments of HK$374,674,000 as disclosed as at 31 March 2019 and on adoption of HKFRS 16, the Group recognised lease liabilities of HK$230,248,000 as at 1 April 2019. The key differences between the disclosed operating lease commitments and the recognised lease liabilities have mainly arisen from the discounting impact on operating lease commitments in using the lessee's incremental borrowing rate as of 1 April 2019, additional lease liabilities recognised under the scope of HKFRS 16 and exclusion of short-term and low-value leases recognised on a straight-line basis as expense.

(iii) Measurement of right-of-use assets

All the right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the balance sheet on 1 April 2019

The change in accounting policy affected the right-of-use assets and lease liabilities, and both increased by HK$230,248,000 on 1 April 2019. In addition, prepaid land lease payments of HK$901,423,000 were reclassified to right-of-use assets on 1 April 2019. There was no material impact on retained earnings on 1 April 2019.

The following is a reconciliation of the opening effect on adoption of HKFRS 16 as at 1 April 2019:

Consolidated statement of financial position (extract)	**Right-of-use assets** *HK$'000*	**Prepaid land lease payments** *HK$'000*	**Lease liabilities – current portion** *HK$'000*	**Lease liabilities – non-current portion** *HK$'000*
At 31 March 2019, as originally reported	–	901,423	–	–
Reclassification to right-of-use assets on adoption of HKFRS 16	901,423	(901,423)	–	–
Adjustment on adoption of HKFRS 16	230,248	–	40,361	189,887
At 1 April 2019, as restated	1,131,671	–	40,361	189,887

The recognised right-of-use assets relate to the following types of assets:

	31 March 2020 *HK$'000*	1 April 2019 *HK$'000*
Leasehold land and land use right	**1,098,313**	901,423
Buildings	**199,517**	230,248
Total right-of-use assets	**1,297,830**	1,131,671

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

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:

	2020	2019
	HK$'000	*HK$'000*
Revenue:		
Water supply operation services	**2,403,111**	2,213,932
Water supply connection income	**1,618,953**	1,441,064
Water supply construction services	**3,081,211**	2,630,500
Sewage treatment and drainage operation services	**334,231**	319,506
Sewage treatment and water environmental renovation construction services	**613,719**	1,086,107
Sales of properties	**200,229**	250,991
Sales of goods	**33,682**	14,282
Hotel and rental income	**91,488**	102,106
Finance income	**45,972**	37,770
Handling income	**32,323**	29,568
Others	**239,384**	176,385
Total	**8,694,303**	8,302,211
Other income:		
Interest income	**119,337**	96,487
Government grants and subsidies#	**181,617**	143,234
Amortisation of deferred government grants	**9,176**	8,158
Gain on disposal of property, plant and equipment, net	**7,532**	4,874
Dividend income from financial assets	**13,566**	8,833
Miscellaneous income	**39,335**	38,672
Total	**370,563**	300,258

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

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, which are the Group's chief operating decision-maker 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) "City water supply operation and construction" involves the provision of water supply operation and construction services;

(ii) "Environmental protection" involves the provision of sewage treatment and drainage operation and construction services, solid waste and hazardous waste business, environmental sanitation and water environment management; and

(iii) "Property development and investment" segment involves development of properties for sale and investment in properties for long-term rental yields or for capital appreciation.

Information about other business activities and operating segments that are not reportable are combined and disclosed in "All other segments".

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 uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that finance costs, share of results of associates, corporate income, corporate expense, income tax expense and (loss)/gain on disposal of subsidiaries, net are excluded from segment results.

Segment assets exclude corporate assets (mainly comprises cash and cash equivalents and pledged deposits), financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and interests in associates. Segment liabilities exclude items such as taxation and other corporate liabilities (mainly comprises corporate borrowings).

Unallocated corporate income mainly comprises interest income and dividend income from financial assets.

Unallocated corporate expenses mainly comprise salaries and wages, operating leases and other operating expenses of the Company and the investment holding companies.

No asymmetrical allocations have been applied to reportable segments.

For the year ended 31 March 2020

	City water supply operation and construction *HK$'000*	Environmental protection *HK$'000*	Property development and investment *HK$'000*	All other segments *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue						
From external customers	7,224,212	1,073,940	237,181	158,970	–	8,694,303
From inter-segment	–	–	–	–	–	–
Segment revenue	7,224,212	1,073,940	237,181	158,970	–	8,694,303
Segment profit	2,956,077	276,277	42,091	8,604	–	3,283,049
Unallocated corporate income						133,903
Unallocated corporate expense						(235,495)
Loss on disposal of subsidiaries, net						(348)
Finance costs						(429,215)
Share of results of associates	67,144	340,306	4,870	295	–	412,615
Profit before income tax						3,164,509
Income tax expense						(657,220)
Profit for the year						2,507,289
Other segment information						
Additions of investment properties	–	–	167,126	–	–	167,126
Additions to other non-current segment assets	3,410,755	62,491	2,309	152,604	–	3,628,159
Amortisation of deferred government grants	6,699	2,477	–	–	–	9,176
Amortisation of other intangible assets	(468,428)	(6,103)	–	(4,614)	–	(479,145)
Depreciation of property, plant and equipment and right-of-use assets	(64,460)	(20,578)	(9,425)	(46,167)	–	(140,630)
Property, plant and equipment written off	(394)	(157)	–	–	–	(551)
Gain/(loss) on disposal of property, plant and equipment	7,440	(121)	98	115	–	7,532
Bad debts written off	(1,427)	–	–	–	–	(1,427)

	City water supply operation and construction	Environmental protection	Property development and investment	All other segments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**22,445,828**	**3,199,268**	**3,636,747**	**2,491,867**	**31,773,710**
Other financial assets					**650,420**
Interests in associates	**474,475**	**1,659,401**	**–**	**93,936**	**2,227,812**
Other corporate assets					**7,251,011**
					41,902,953
Segment liabilities	**5,517,013**	**902,721**	**1,126,945**	**161,160**	**7,707,839**
Deferred tax liabilities					**943,423**
Provision for tax					**1,432,744**
Other corporate liabilities					**17,720,444**
					27,804,450

For the year ended 31 March 2019

	City water supply operation and construction *HK$'000*	Environmental protection *HK$'000*	Property development and investment *HK$'000*	All other segments *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue						
From external customers	6,376,124	1,522,337	291,043	112,707	–	8,302,211
From inter-segment	–	–	–	–	–	–
Segment revenue	6,376,124	1,522,337	291,043	112,707	–	8,302,211
Segment profit/(loss)	2,618,675	443,948	(78,692)	9,118	–	2,993,049
Unallocated corporate income						105,910
Unallocated corporate expense						(194,597)
Gain on disposal of subsidiaries, net						117,841
Finance costs						(319,185)
Share of results of associates	65,951	(77)	(1,487)	4,654	–	69,041
Profit before income tax						2,772,059
Income tax expense						(641,776)
Profit for the year						2,130,283
Other segment information						
Additions of investment properties	–	–	35,119	–	–	35,119
Additions to other non-current segment assets	2,627,111	123,405	3,339	126,015	–	2,879,870
Amortisation of deferred government grants	6,396	1,762	–	–	–	8,158
Amortisation of other intangible assets	(397,594)	(6,307)	–	–	–	(403,901)
Depreciation of property, plant and equipment and amortisation of prepaid land lease payments	(38,434)	(11,606)	(1,599)	(28,975)	–	(80,614)
Property, plant and equipment written off	(845)	(173)	(5)	(56)	–	(1,079)
(Loss)/gain on disposal of property, plant and equipment	(243)	(47)	(60)	5,224	–	4,874

	City water supply operation and construction *HK$'000*	Environmental protection *HK$'000*	Property development and investment *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Segment assets	19,240,003	3,968,766	3,299,609	2,462,175	28,970,553
Other financial assets					838,565
Interests in associates	468,785	33,042	62,453	111,755	676,035
Other corporate assets					5,339,483
					35,824,636
Segment liabilities	4,144,851	815,200	483,379	120,253	5,563,683
Deferred tax liabilities					882,723
Provision for tax					1,278,874
Other corporate liabilities					15,196,886
					22,922,166

For the years ended 31 March 2020 and 2019, the Group did not depend on any single customer under each of the segments.

The Group's revenue from external customers and its non-current assets located in geographical areas other than the People's Republic of China ("the PRC") are less than 10% of the aggregate amount of all segments.

6. OPERATING PROFIT

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

	2020	2019
	HK$'000	*HK$'000*
Cost of sales	**4,935,818**	4,838,372
Depreciation of property, plant and equipment	**73,155**	57,013
Depreciation of right-of-use assets	**67,475**	–
Amortisation of prepaid land lease payments	**–**	23,601
Amortisation of other intangible assets	**479,145**	403,901
Operating leases in respect of		
– leasehold land and buildings	**3,581**	23,072
– other property, plant and equipment	**3,206**	28,376
Staff costs (including directors' emoluments):		
Salaries and wages	**801,213**	727,941
Pension scheme contribution	**129,682**	133,334
	930,895	861,275
Gain on disposal of property, plant and equipment, net	**(7,532)**	(4,874)
Property, plant and equipment written off	**551**	1,079
Bad debts written off	**1,427**	–
Net foreign exchange loss	**19,308**	5,397

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans	**590,991**	430,589
Interest on other loans	**168,164**	208,263
Interest on lease liabilities	**19,058**	–
Total borrowing costs	**778,213**	638,852
Less: interest capitalised included in property, plant and equipment, other intangible assets and properties under development	**(348,998)**	(319,667)
	429,215	319,185

8. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2020	2019
	HK$'000	*HK$'000*
Current income tax		
– the PRC	**569,223**	638,021
Deferred tax	**87,997**	3,755
Total income tax expense	**657,220**	641,776

9. DIVIDENDS

(a) Dividends attributable to the year

	2020	2019
	HK$'000	*HK$'000*
Interim dividend of HK$0.14 (2019: HK$0.12) per ordinary share	**224,564**	193,068
Proposed final dividend of HK$0.16 (2019: HK$0.16) per ordinary share	**256,645**	257,424
	481,209	450,492

The final dividends proposed after the reporting date for the year ended 31 March 2020 and 2019 were not recognised as a liability at the reporting date. 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

	2020	2019
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year of HK$0.16 (2019: HK$0.15) per ordinary share	**257,424**	241,335
Adjustment to the final dividend *(Note)*	**(779)**	–
	256,645	241,335

Note: The adjustment was made due to shares repurchased prior to the record date of the final dividends and, therefore, the related shares ranked for this dividend payment.

10. 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$1,639,495,000 (2019: HK$1,369,235,000) and the weighted average of 1,605,481,000 (2019: 1,608,901,000) ordinary shares in issue during the year.

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding during the year ended 31 March 2020 and 2019.

11. 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:

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**773,703**	612,672
91 to 180 days	**120,514**	167,899
Over 180 days	**430,570**	462,293
	1,324,787	1,242,864

12. 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:

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**2,148,969**	1,678,905
91 to 180 days	**459,900**	308,239
Over 180 days	**497,839**	422,954
	3,106,708	2,410,098

13. EVENT AFTER THE REPORTING PERIOD

On 1 April 2020, the Company entered into a subscription agreement (the "Subscription Agreement") with Baring Private Equity Asia V Holding (5) Limited ("BPEA") (the "Proposed Subscription") pursuant to which the Company conditionally agreed to subscribe for, and BPEA conditionally agreed to issue, the exchangeable bonds for a consideration of approximately HK$361.3 million (the "Exchangeable Bonds"). The consideration shall be satisfied by the Company issuing the convertible bonds to BPEA to convert into up to 44,886,521 ordinary shares of the Company ("Conversion Share") at the initial conversion price (subject to adjustment) of HK$8.05 per Conversion Share (the "Convertible Bonds"). BPEA conditionally agreed to subscribe for the Convertible Bonds of the Company in an aggregate principal amount of approximately HK$361.3 million.

The Exchangable Bonds will initially entitle the holder thereof to exchange for 344,129,996 ordinary shares of Kangda International Environmental Company Limited ("Kangda International") (subject to adjustment), representing approximately 16.93% of the entire issued share capital of Kangda International, owned by BPEA as at the date of the Subscription Agreement. The ordinary shares of Kangda International are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (stock code: 6136) ("Kangda Shares). The right of the holder of the Exchangeable Bonds to exchange the principal amount of the Exchangeable Bonds into Kangda Shares is in accordance with the terms and conditions of the Exchangeable Bonds ("Exchange Right"). The Company will nominate Sharp Profit Investments Limited ("Sharp Profit"), a wholly-owned subsidiary of the Company, to be the holder of the Exchangeable Bonds upon completion of the Proposed Subscription.

As at the date of the Subscription Agreement, Sharp Profit legally and beneficially holds approximately 29.52% of the entire issued share capital of Kangda International. Upon completion of the Proposed Subscription and before the exercise of any Exchange Right, assuming no new Kangda Shares will be issued, Sharp Profit's shareholding in Kangda International will remain unchanged and Kangda International will be accounted for as an associate of the Group. Assuming that no new Kangda Shares will be issued to any person from the date of the Subscription Agreement and up to the date of exercising the Exchange Right in full, Sharp Profit will own a total of approximately 46.45% of the entire issued share capital of Kangda International upon full exercise of the Exchange Right.

Further details of which are disclosed in the Company's announcement dated 1 April 2020. The Proposed Subscription was completed on 8 May 2020 and the Convertible Bonds and the Exchangeable Bonds were issued on 8 May 2020 accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2020, the Group recorded a revenue of HK$8,694.3 million, representing a steady increase of 4.7% from HK$8,302.2 million in last year. The Group recorded a gross profit of HK$3,758.5 million, representing a steady increase of 8.5% from HK$3,463.8 million in last year. For the year under review, the Group recorded a profit for the year attributable to owners of the Company of HK$1,639.5 million, representing a steady increase of 19.7% from HK$1,369.2 million in last year. The basic earnings per share increased steadily by 20.0% to HK102.12 cents in current year.

DIVIDENDS

The Directors recommended a final dividend of HK16 cents (2019: HK16 cents) per ordinary share, which is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 4 September 2020 and will be payable on or about Friday, 16 October 2020 to the shareholders whose names appear on the register of members on Friday, 11 September 2020.

CLOSURE OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Tuesday, 1 September 2020 to Friday, 4 September 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Friday, 4 September 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 31 August 2020.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Thursday, 10 September 2020 to Friday, 11 September 2020, during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 9 September 2020. Subject to the approval by shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be paid on or around Friday, 16 October 2020.

BUSINESS REVIEW

The Group's total revenue continuously increased from HK$8,302.2 million for the year ended 31 March 2019 to HK$8,694.3 million for the year ended 31 March 2020, representing a steady increase of 4.7%. The Group continued its strategy to focus on core business. For the year under review, the Group recorded a steady growth in its "City water supply operation and construction" and "Environment protection" segments. The total revenue attributable to the "City water supply operation and construction" and "Environment protection" segments increased from HK$7,898.5 million to HK$8,298.2 million. This represented a steady and continuous growth of segments revenue by 5.1%, which was mainly attributable to the successful strategy of the Group through procurement of more construction and connection 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

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 segment amounted to HK$7,224.2 million (2019: HK$6,376.1 million), representing a steady increase of 13.3% as compared with the last corresponding year. The water supply segment profit (including city water supply, water related connection works and construction services) amounted to HK$2,956.1 million (2019: HK$2,618.7 million), representing a steady increase of 12.9% as compared with the last corresponding year. This was mainly because of increase in volume of water sold, procurement of more construction and connection work driven by the continuation of urban-rural water supply integration and the promotion of the Public-Private Partnership model in the water sector and the additional contribution from the direct drinking water business and new water projects during the year.

(ii) Environmental Protection Business Analysis

Environmental protection projects of the Group are well spread in various provincial cities and regions across China, including Beijing, Tianjin, Shenzhen, Guangdong, Henan, Hebei, Hubei, Jiangxi, Shaanxi, Heilongjiang and Sichuan.

For the year under review, the revenue from environmental protection segment amounted to HK$1,073.9 million (2019: HK$1,522.3 million), representing a significant decrease of 29.5% as compared with the last corresponding year. The environmental protection segment profit (including sewage treatment and drainage operating and construction, solid waste and hazardous waste business, environmental sanitation and water environment management) amounted to HK$276.3 million (2019: HK$443.9 million), representing a significant decrease of 37.8% as compared with the last corresponding year. This was mainly due to the decrease in the work for upgrade of facilities for higher operating standard and water environmental renovation construction services in current year.

(iii) Property Business Analysis

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

For the year under review, the revenue from the property business segment amounted to HK$237.2 million (2019: HK$291.0 million). The total property business segment profit amounted to HK$42.1 million (2019: segment loss amounted to HK$78.7 million). This was mainly due to the increase in profit margin in sales of property projects in current year.

The Group acquired 600,000,000 ordinary shares of Kangda International Environmental Company Limited ("Kangda International") at the price of HK$2.00 per share, representing its 29.52% equity interest, at a total consideration of HK$1.2 billion in April 2019. The audited net asset value per ordinary share of Kangda International attributable to the shareholders as at 31 December 2018 was approximately RMB2.02 (equivalent to approximately HK$2.35). The shares of Kangda International are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 6136) and it was accounted for as an associate of the Group during the year under review. During the year under review, the total contribution to the Group by Kangda International amounting to HK$323.2 million, which comprised the excess of the investor's share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment of HK$214.8 million and share of post-acquisition results of Kangda International of HK$108.4 million, was included in the share of results of associates.

For the corresponding year under review, the Group recorded a gain on disposal of subsidiaries amounting to HK$117.8 million, which was mainly because of the disposal of the non-core investments including the entire interests in 新余市仙女湖游船有限責任公司 and 新余市仙女湖聖祥發展有限責任公司, and 55% equity interest in 江西仙女湖旅游股份有限公司. The Group considered that realisation of the above non-core investments at a gain can provide resources to the Group in developing its core businesses in China.

PROSPECTS

The outbreak of the COVID-19 pandemic across different regions has brought unprecedented impacts and challenges to the global economy. Uncertainties and volatility surrounding global economic outlook has surged. There are and will be significant changes in the mode of production and lifestyle in the society. Under such market conditions, the nature of the Group's utility business characterised by stable revenue and cash flow has become a prominent advantage. China has actively deployed to resume production and reboot economic activities after an effective control of the first wave of the pandemic in the nation. The rapid recovery of China's economy will lay down beneficial foundation for future development and enhancement of the water industry.

Looking forward, benefited from the Group's two core development strategies, namely urban-rural water supply integration and supply-drainage integration, and the adherence to its strategy to actively expand value-added services, it is expected that the Group's business will continue to grow steadily. The Group shall continue to expand its business in the area of infrastructure and public services through the long-term public-private partnership which has been actively promoted by the government. It shall continue to dedicate its efforts in capacity building and risk prevention and control, so as to enhance its overall services capability, and the efficiency and quality of its all-round services of its relevant business in the water industry chain, with its urban water supply services as the focus. As to the direction of future business development, the Group shall focus on the development of its core water supply business, accelerate the development of its value-added businesses including direct drinking water, and improve the smart pipeline network system in order to boost its core competitiveness and provide better services to the society and people, so as to create higher returns for its shareholders.

ISSUE OF CONVERTIBLE BONDS

On 1 April 2020, the Company entered into a subscription agreement with Baring Private Equity Asia V Holding (5) Limited ("BPEA") (the "Proposed Subscription") pursuant to which the Company conditionally agreed to subscribe for, and BPEA conditionally agreed to issue, the exchangeable bonds for a consideration of approximately HK$361.3 million (the "Exchangeable Bonds"). The consideration shall be satisfied by the Company issuing the convertible bonds to BPEA to convert into up to 44,886,521 ordinary shares of the Company ("Conversion Share") at the initial conversion price (subject to adjustment) of HK$8.05 per Conversion Share (the "Convertible Bonds"). BPEA conditionally agreed to subscribe for the Convertible Bonds of the Company in an aggregate principal amount of approximately HK$361.3 million.

Further details of which are disclosed in the Company's announcement dated 1 April 2020. The Proposed Subscription was completed on 8 May 2020 and the Convertible Bonds and the Exchangeable Bonds were issued on 8 May 2020 accordingly.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group has total cash and cash equivalents and pledged deposits of approximately HK$6,603.9 million (2019: HK$4,617.8 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 66.4% (2019: 64.0%) as at 31 March 2020. The current ratio is 1.08 times (2019: 1.13 times) as at 31 March 2020. The decrease in current ratio is mainly due to classification of long-term loan with repayment option amounting to USD64 million (approximately HK$499 million) from non-current liability into current liability. 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 2020, 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$*	*HK$*
July 2019	3,758,000	7.46	6.99	27,008,000
August 2019	1,114,000	6.98	6.08	7,209,000

During the year ended 31 March 2020, the Company repurchased and cancelled a total of 4,872,000 ordinary shares of HK$0.01 each in the capital of the Company. Accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the contributed surplus 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, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

During the year ended 31 March 2020, the Company has complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the chairman of Board should not be subject to retirement by rotation.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive directors and non-executive directors were unable to attend the Company's annual general meeting held on 6 September 2019 due to their other business commitments.

HUMAN RESOURCES

As at 31 March 2020, the Group has employed approximately 9,400 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 experience and 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 2020 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprises five independent non-executive directors, namely Mr. Chau Kam Wing (chairman of audit committee), Mr. Siu Chi Ming, Ms. Ho Ping, Ms. Zhou Nan and Mr. Chan Wai Cheung Admiral. The annual results of the Group for the year ended 31 March 2020 have been reviewed by the audit committee.

The financial figures in respect of the announcement of the Group's consolidated results for the year ended 31 March 2020 have been agreed by the Company's auditor, PricewaterhouseCoopers ("PwC"), to the amount set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by PwC on this announcement.

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 2020

As at the date of this announcement, the Board comprises five executive Directors, being Mr. Duan Chuan Liang, Ms. Ding Bin, Ms. Liu Yu Jie, Mr. Li Zhong and Mr. Duan Jerry Linnan, four non-executive Directors, being Mr. Zhao Hai Hu, Mr. Zhou Wen Zhi, Mr. Makoto Inoue and Ms. Wang Xiaoqin, and five independent non-executive Directors, being Mr. Chau Kam Wing, Mr. Siu Chi Ming, Ms. Ho Ping, Ms. Zhou Nan and Mr. Chan Wai Cheung Admiral.

* *For identification purposes only*