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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 2022**

**KEY HIGHLIGHTS**

- The Group recorded a revenue of HK\$12,949.8 million, representing a significant increase of 25.2% from HK\$10,345.5 million in last year.
- Revenue contribution from the direct drinking water business amounted to HK\$693.7 million (2021: HK\$144.7 million), representing a significant increase of 379.4% 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\$5,617.9 million (2021: HK\$4,733.5 million), representing a steady increase of 18.7% as compared with the last corresponding year. Revenue contribution from water supply construction services amounted to HK\$4,527.7 million (2021: HK\$3,685.8 million), representing a steady increase of 22.8% as compared with the last corresponding year. The revenue from city water supply operation and construction segment amounted to HK\$10,347.1 million (2021: HK\$8,544.0 million), representing a steady increase of 21.1% as compared with the last corresponding year. The revenue from city water supply operation and construction segment represented approximately 79.9% (2021: 82.6%) of the total revenue. The city water supply segment profit amounted to HK\$3,710.2 million (2021: HK\$3,392.2 million), representing a steady increase of 9.4% as compared with the last corresponding year.

- Revenue contribution from sewage treatment and drainage operation services amounted to HK\$389.1 million (2021: HK\$329.1 million), representing a steady increase of 18.2% as compared with the last corresponding year. Revenue contribution from sewage treatment and water environmental renovation construction services amounted to HK\$771.4 million (2021: HK\$747.1 million), representing a slight increase of 3.3% as compared with the last corresponding year. The revenue from environmental protection segment amounted to HK\$1,250.8 million (2021: HK\$1,205.2 million), representing a slight increase as compared with the last corresponding year. The revenue from environmental protection segment represented approximately 9.7% (2021: 11.6%) of the total revenue. The environmental protection segment profit amounted to HK\$411.0 million (2021: HK\$294.0 million), representing a significant increase of 39.8% 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\$5,265.5 million, representing a steady increase of 13.7% from HK\$4,629.9 million in last corresponding year.
- Profit for the year attributable to owners of the Company was HK\$1,893.6 million, representing a steady increase of 11.9% from HK\$1,692.5 million in last corresponding year.
- Basic earnings per share for the year was HK\$1.17, representing a steady increase of 10.4% from HK\$1.06 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 HK18 cents per share. Together with the interim dividend of HK16 cents per share, the total dividends for the year will be HK34 cents per share (2021: HK31 cents per share), representing a steady increase of 9.7% as compared with the last corresponding year.

## RESULTS

The Board of Directors (the “Directors”) of China Water Affairs Group Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2022 together with the comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2022*

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>Revenue</b>	3	<b>12,949,828</b>	10,345,533
Cost of sales		<u>(7,987,628)</u>	<u>(6,006,949)</u>
<b>Gross profit</b>		<b>4,962,200</b>	4,338,584
Other income	3	<b>388,555</b>	376,626
Selling and distribution costs		<b>(290,403)</b>	(237,057)
Administrative expenses		<b>(881,058)</b>	(775,678)
Other operating expenses		<b>(23,864)</b>	(12,258)
Loss on deregistration or disposal of subsidiaries, net		<u><b>(6,127)</b></u>	<u>(3,162)</u>
<b>Operating profit</b>	5	<b>4,149,303</b>	3,687,055
Finance costs	6	<b>(468,076)</b>	(370,577)
Share of results of associates		<u><b>234,995</b></u>	<u>213,143</u>
<b>Profit before income tax</b>		<b>3,916,222</b>	3,529,621
Income tax expense	7	<u><b>(939,093)</b></u>	<u>(867,547)</u>
<b>Profit for the year</b>		<u><b>2,977,129</b></u>	<u>2,662,074</u>

	<i>Notes</i>	<b>2022</b> <b><i>HK\$'000</i></b>	2021 <i>HK\$'000</i>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>1,893,573</b>	1,692,464
Non-controlling interests		<b>1,083,556</b>	969,610
		<u><b>2,977,129</b></u>	<u>2,662,074</u>
<b>Earnings per share for profit attributable to owners of the Company during the year</b>			
	9	<b><i>HK\$</i></b>	<i>HK\$</i>
Basic		<u><b>1.17</b></u>	<u>1.06</u>
Diluted		<u><b>1.16</b></u>	<u>1.04</u>

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 March 2022*

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>2,977,129</b>	2,662,074
<b>Other comprehensive income/(loss)</b>		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	<b>1,255,382</b>	985,721
– Recycling of currency translation differences upon deregistration or disposal of subsidiaries, net	<b>344</b>	703
– Recycling of currency translation differences upon deemed disposal of an associate	–	(180)
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	<b>4,445</b>	(44,042)
– Share of other comprehensive loss of an associate	<b>(21,600)</b>	(7,220)
<b>Other comprehensive income for the year, net of tax</b>	<b>1,238,571</b>	934,982
<b>Total comprehensive income for the year</b>	<b>4,215,700</b>	3,597,056
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>2,830,857</b>	2,390,569
Non-controlling interests	<b>1,384,843</b>	1,206,487
	<b>4,215,700</b>	3,597,056

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March 2022*

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,372,755</b>	2,862,637
Right-of-use assets		<b>1,366,709</b>	1,292,404
Investment properties		<b>1,398,863</b>	1,195,821
Investment in associates		<b>2,743,534</b>	2,517,567
Financial assets at fair value through other comprehensive income		<b>396,688</b>	376,245
Goodwill		<b>1,476,185</b>	1,409,125
Other intangible assets		<b>26,503,555</b>	21,654,961
Prepayments, deposits and other receivables		<b>806,617</b>	719,713
Contract assets		<b>1,305,719</b>	1,049,620
Receivables under service concession arrangements		<b>1,194,902</b>	1,083,169
		<b>40,565,527</b>	34,161,262
<b>Current assets</b>			
Properties under development		<b>2,066,096</b>	1,826,463
Properties held for sale		<b>675,926</b>	732,617
Inventories		<b>831,658</b>	922,325
Contract assets		<b>879,691</b>	479,269
Receivables under service concession arrangements		<b>80,180</b>	69,090
Trade and bills receivables	10	<b>1,561,650</b>	1,071,490
Financial assets at fair value through profit or loss		<b>1,149,409</b>	1,035,098
Due from non-controlling equity holders of subsidiaries		<b>203,054</b>	268,488
Due from associates		<b>137,699</b>	175,912
Prepayments, deposits and other receivables		<b>2,384,381</b>	1,879,698
Pledged deposits		<b>506,350</b>	515,117
Cash and cash equivalents		<b>6,022,821</b>	3,901,218
		<b>16,498,915</b>	12,876,785

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Current liabilities</b>			
Lease liabilities		<b>36,805</b>	30,531
Contract liabilities		<b>1,231,997</b>	1,099,264
Trade and bills payables	11	<b>4,673,899</b>	3,759,730
Accrued liabilities, deposits received and other payables		<b>2,675,905</b>	2,148,055
Due to associates		<b>50,190</b>	64,772
Borrowings		<b>7,692,095</b>	5,261,847
Due to non-controlling equity holders of subsidiaries		<b>290,230</b>	208,074
Provision for tax		<b>2,597,264</b>	1,974,885
		<b>19,248,385</b>	14,547,158
<b>Net current liabilities</b>		<b>(2,749,470)</b>	(1,670,373)
<b>Total assets less current liabilities</b>		<b>37,816,057</b>	32,490,889
<b>Non-current liabilities</b>			
Borrowings		<b>14,171,416</b>	13,167,026
Lease liabilities		<b>338,095</b>	329,048
Contract liabilities		<b>328,489</b>	310,135
Due to non-controlling equity holders of subsidiaries		<b>958,665</b>	392,139
Deferred government grants		<b>222,246</b>	243,127
Deferred tax liabilities		<b>1,314,402</b>	1,099,386
		<b>17,333,313</b>	15,540,861
<b>Net assets</b>		<b>20,482,744</b>	16,950,028
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>16,323</b>	15,849
Reserves		<b>12,952,889</b>	10,496,694
		<b>12,969,212</b>	10,512,543
<b>Non-controlling interests</b>		<b>7,513,532</b>	6,437,485
<b>Total equity</b>		<b>20,482,744</b>	16,950,028

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.

As at 31 March 2022, the Group’s current liabilities exceeded its current assets by HK\$2,749,470,000. The directors of the Company are of the view that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account the forecast cash flows including the loan facilities available. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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 AND AMENDED STANDARDS ADOPTED BY THE GROUP

During the year, the Group adopted the following new and amended standards which are relevant to the Group’s operation and are mandatory for the year ended 31 March 2022.

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions

The nature and the impact of the revised HKFRSs are described below:

- (a) HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments) address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.



The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 March 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) HKFRS 16 (Amendments) provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change, (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment did not have any significant impact on the financial position and performance of the Group

The above new and amended standards 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. 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:

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>Revenue:</b>			
Water supply operation services		<b>3,361,094</b>	2,794,220
Water supply connection income		<b>2,055,252</b>	1,891,322
Water supply construction services		<b>4,035,515</b>	3,593,319
Direct drinking water operation services		<b>143,829</b>	26,638
Direct drinking water connection income		<b>57,691</b>	21,364
Direct drinking water construction services		<b>492,195</b>	92,474
Sewage treatment and drainage operation services		<b>389,109</b>	329,117
Sewage treatment and water environmental renovation construction services		<b>771,421</b>	747,140
Sales of properties		<b>494,521</b>	296,104
Sales of goods		<b>650,329</b>	96,695
Hotel and rental income	(i)	<b>104,467</b>	95,561
Finance income		<b>51,541</b>	43,564
Handling income		<b>41,257</b>	37,904
Others	(ii)	<b>301,607</b>	280,111
Total		<b>12,949,828</b>	10,345,533
<b>Other income:</b>			
Interest income		<b>123,373</b>	159,490
Government grants and subsidies	(iii)	<b>191,441</b>	140,974
Amortisation of deferred government grants		<b>10,470</b>	9,624
Gain on disposal of property, plant and equipment, net		<b>190</b>	—
Dividend income from financial assets		<b>11,165</b>	9,648
Miscellaneous income		<b>51,916</b>	56,890
Total		<b>388,555</b>	376,626

*Notes:*

- (i) Hotel and rental income comprised lease income from operating leases of HK\$52,003,000 (2021: HK\$39,733,000).
- (ii) Other revenue comprised revenue recognised at a point in time of HK\$229,482,000 (2021: HK\$192,307,000) and recognised over time of HK\$72,125,000 (2021: HK\$87,804,000).
- (iii) Government grants and subsidies mainly comprised unconditional subsidies for subsidising the Group's water supply and other businesses.

#### 4. 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 and direct drinking water 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 use 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 on deregistration or 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 investment 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 2022

	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
<b>Revenue</b>						
From external customers	10,347,097	1,250,785	531,729	820,217	–	12,949,828
From inter-segment	–	–	–	–	–	–
<b>Segment revenue</b>	<b>10,347,097</b>	<b>1,250,785</b>	<b>531,729</b>	<b>820,217</b>	<b>–</b>	<b>12,949,828</b>
<b>Segment profit/(loss)</b>	<b>3,710,156</b>	<b>410,988</b>	<b>118,260</b>	<b>(35,768)</b>	<b>–</b>	<b>4,203,636</b>
Unallocated corporate income						144,342
Unallocated corporate expense						(192,548)
Loss on deregistration or disposal of subsidiaries, net						(6,127)
Finance costs						(468,076)
Share of results of associates	79,978	147,765	–	7,252	–	234,995
Profit before income tax						3,916,222
Income tax expense						(939,093)
Profit for the year						<b>2,977,129</b>
<b>Other segment information</b>						
Additions of investment properties	–	–	164,484	–	–	164,484
Additions to other non-current segment assets	4,354,158	53,308	1,453	142,639	–	4,551,558
Amortisation of deferred government grants	7,749	2,721	–	–	–	10,470
Amortisation of capitalised expenses	(51,382)	–	–	–	–	(51,382)
Amortisation of other intangible assets	(645,869)	(6,721)	–	(7,295)	–	(659,885)
Depreciation of property, plant and equipment and right-of-use assets	(91,360)	(26,919)	(9,643)	(93,388)	–	(221,310)
Property, plant and equipment written off	(317)	(255)	–	(6)	–	(578)
Gain/(loss) on disposal of property, plant and equipment	141	46	34	(31)	–	190
Bad debts written off	(1,730)	–	–	–	–	(1,730)

	City water supply operation and construction <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	32,973,929	4,454,788	4,517,570	3,282,659	45,228,946
Other financial assets					1,546,097
Investment in associates	595,119	2,074,994	–	73,421	2,743,534
Other corporate assets					7,545,865
					<u>57,064,442</u>
<b>Segment liabilities</b>	7,595,695	1,039,197	1,409,840	185,782	10,230,514
Deferred tax liabilities					1,314,402
Provision for tax					2,597,264
Other corporate liabilities					22,439,518
					<u>36,581,698</u>

For the year ended 31 March 2021

	City water supply operation and construction <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>						
From external customers	8,543,997	1,205,244	333,230	263,062	–	10,345,533
From inter-segment	–	–	–	–	–	–
<b>Segment revenue</b>	<u>8,543,997</u>	<u>1,205,244</u>	<u>333,230</u>	<u>263,062</u>	<u>–</u>	<u>10,345,533</u>
<b>Segment profit</b>	<u>3,392,227</u>	<u>293,988</u>	<u>31,274</u>	<u>23,382</u>	<u>–</u>	<u>3,740,871</u>
Unallocated corporate income						171,524
Unallocated corporate expense						(222,178)
Loss on disposal of subsidiaries, net						(3,162)
Finance costs						(370,577)
Share of results of associates	86,776	121,801	–	4,566	–	213,143
Profit before income tax						3,529,621
Income tax expense						(867,547)
Profit for the year						<u>2,662,074</u>
<b>Other segment information</b>						
Additions of investment properties	–	–	124,025	–	–	124,025
Additions to other non-current segment assets	3,768,790	16,862	698	467,285	–	4,253,635
Amortisation of deferred government grants	7,031	2,593	–	–	–	9,624
Amortisation of capitalised expenses	(50,589)	–	–	–	–	(50,589)
Amortisation of other intangible assets	(565,100)	(6,396)	–	(6,952)	–	(578,448)
Depreciation of property, plant and equipment and right-of-use assets	(72,289)	(24,657)	(9,273)	(45,067)	–	(151,286)
Property, plant and equipment written off	(922)	(136)	(10)	(121)	–	(1,189)
(Loss)/gain on disposal of property, plant and equipment	(698)	(132)	4	527	–	(299)
Bad debts written off	<u>(1,825)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,825)</u>

	City water supply operation and construction <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	27,189,755	3,554,112	3,999,253	3,007,114	37,750,234
Other financial assets					1,411,343
Investment in associates	561,956	1,858,077	–	97,534	2,517,567
Other corporate assets					5,358,903
					<u>47,038,047</u>
<b>Segment liabilities</b>	6,475,454	680,900	925,547	151,929	8,233,830
Deferred tax liabilities					1,099,386
Provision for tax					1,974,885
Other corporate liabilities					18,779,918
					<u>30,088,019</u>

For the years ended 31 March 2022 and 2021, 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.

## 5. OPERATING PROFIT

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

	2022 HK\$'000	2021 HK\$'000
Cost of sales	7,987,628	6,006,949
Depreciation of property, plant and equipment	148,304	82,920
Depreciation of right-of-use assets	73,006	68,366
Amortisation of other intangible assets	659,885	578,448
Amortisation of capitalised expenses	51,382	50,589
Operating leases in respect of		
– leasehold land and buildings	7,964	5,536
– other property, plant and equipment	4,494	4,153
Staff costs (including directors' emoluments):		
Salaries and wages	1,074,908	941,365
Pension scheme contribution	196,228	112,885
	<u>1,271,136</u>	<u>1,054,250</u>
(Gain)/loss on disposal of property, plant and equipment, net	(190)	299
Property, plant and equipment written off	578	1,189
Bad debts written off	1,730	1,825
Net foreign exchange loss	1,753	11,156
	<u><u>1,271,136</u></u>	<u><u>1,054,250</u></u>

## 6. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on bank loans	638,225	612,188
Interest on other loans	233,559	194,883
Interest on lease liabilities	19,252	18,751
	<u>891,036</u>	<u>825,822</u>
Total borrowing costs	891,036	825,822
Less: interest capitalised included in property, plant and equipment, investment properties, other intangible assets and properties under development	(422,960)	(455,245)
	<u><u>468,076</u></u>	<u><u>370,577</u></u>



## 7. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2022 HK\$'000	2021 HK\$'000
Current income tax – the PRC	790,441	760,919
Deferred tax	<u>148,652</u>	<u>106,628</u>
Total income tax expense	<u><u>939,093</u></u>	<u><u>867,547</u></u>

## 8. DIVIDENDS

### (a) Dividends attributable to the year

	2022 HK\$'000	2021 HK\$'000
Interim dividend of HK\$0.16 (2021: HK\$0.15) per ordinary share	261,172	237,735
Proposed final dividend of HK\$0.18 (2021: HK\$0.16) per ordinary share	<u>293,818</u>	<u>253,584</u>
	<u><u>554,990</u></u>	<u><u>491,319</u></u>

The final dividends proposed after the reporting date for the year ended 31 March 2022 and 2021 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

	2022 HK\$'000	2021 HK\$'000
Final dividend in respect of the previous financial year of HK\$0.16 (2021: HK\$0.16) per ordinary share	253,584	256,645
Adjustment to the final dividend ( <i>Note</i> )	<u>7,587</u>	<u>(2,267)</u>
	<u><u>261,171</u></u>	<u><u>254,378</u></u>

*Note:* The adjustment was made due to shares issued/repurchased prior to the record date of the final dividends and, therefore, the related shares ranked 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\$1,893,573,000 (2021: HK\$1,692,464,000) and the weighted average of 1,617,642,000 (2021: 1,592,090,000) ordinary shares in issue during the year.

For the year ended 31 March 2022, the calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK\$1,893,573,000 and after adjustments to reflect the effect of deemed exercise or conversion of convertible bonds, which was the adjusted weighted average of 1,632,322,000 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,617,642,000 used in basic earnings per share calculation and adjusted for the effect of deemed exercise or conversion of convertible bonds existing during the year of 14,680,000 ordinary shares.

For the year ended 31 March 2021, the calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK\$1,692,464,000 and after adjustments to reflect the effect of deemed exercise or conversion of convertible bonds, which was the adjusted weighted average of 1,632,303,000 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,592,090,000 used in basic earnings per share calculation and adjusted for the effect of deemed exercise or conversion of convertible bonds existing during the year of 40,213,000 ordinary shares.

## 10. TRADE AND BILLS RECEIVABLES

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

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>877,487</b>	464,895
91 to 180 days	<b>150,260</b>	100,234
Over 180 days	<b>533,903</b>	506,361
	<b>1,561,650</b>	1,071,490

## 11. TRADE AND BILLS PAYABLES

The credit terms of trade and bills payables vary according to the terms agreed with different suppliers. The ageing analysis of trade and bills payables based on the invoice dates is as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>2,467,503</b>	1,970,786
91 to 180 days	<b>791,483</b>	390,548
Over 180 days	<b>1,414,913</b>	1,398,396
	<b>4,673,899</b>	3,759,730

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

For the year ended 31 March 2022, the Group recorded a revenue of HK\$12,949.8 million, representing a significant increase of 25.2% from HK\$10,345.5 million in last year. The Group recorded a gross profit of HK\$4,962.2 million, representing a steady increase of 14.4% from HK\$4,338.6 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\$1,893.6 million, representing a steady increase of 11.9% from HK\$1,692.5 million in last year. The basic earnings per share increased steadily by 10.4% to HK\$1.17 in current year.

### **DIVIDENDS**

The Directors recommended a final dividend of HK18 cents (2021: 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, 9 September 2022 and will be payable on or about Friday, 18 November 2022 to the shareholders whose names appear on the register of members on Friday, 23 September 2022.

### **CLOSURE OF REGISTER OF MEMBERS**

#### **For Annual General Meeting**

The register of members will be closed from Tuesday, 6 September 2022 to Friday, 9 September 2022 (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, 9 September 2022, 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, 5 September 2022.

#### **For Entitlement to Proposed Final Dividend**

The register of members will be closed from Thursday, 22 September 2022 to Friday, 23 September 2022, 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, 21 September 2022. 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, 18 November 2022.

## **SIGNIFICANT INVESTMENT OR ACQUISITION**

The Company considers that the prospects of pipeline direct drinking water business in China is huge and in line with the new concept of low-carbon green development. The Company believes that provision of premium pipeline direct drinking water will foster better health and life for the Chinese people and will then contribute to the development of social harmony and beautiful China. It is expected that such business will be the major focus of the Group's business development in the next couple of years.

During the year ended 31 March 2022, the Group completed the acquisitions of 南京水杯子科技股份有限公司 (“Nanjing Aquacup Technology Co., Ltd.”) (“Nanjing Aquacup”) at an aggregate consideration of RMB34.9 million (approximately HK\$43.1 million) and five direct drinking water companies in Xuzhou at an aggregate consideration of RMB23.0 million (approximately HK\$28.4 million) respectively.

Nanjing Aquacup and its subsidiaries and associates (“Nanjing Aquacup Group”) are principally engaged in pipeline direct drinking water business in China. Nanjing Aquacup was established in 1999 and its brand name “Aquacup (水杯子)” is one of the earliest brands established by the Chinese Academy of Sciences. Nanjing Aquacup Group is a pioneer in the campus pipeline direct drinking water and at the time of acquisition, it has invested in over 40 campus pipeline direct drinking water projects serving over 370,000 people. Nanjing Aquacup also has over 100 patented technologies in its principal businesses and is awarded as the High Technology Enterprise.

The five direct drinking water companies are principally engaged in design, production, sale, construction, operation and maintenance of pipeline direct drinking water projects (including hot water) in campus, hospitals and other facilities; sale and production of water purification machines, all-in-one equipment, water stations and other equipment. At the time of acquisition, they have 80 campus pipeline direct drinking water projects and are serving over 220,000 students in various districts and counties in Xuzhou. With their expert teams, they have proven track record for over ten years and their brand name, Haideneng (海德能), is highly recognised in the Xuzhou market. They were awarded as premium service provider in the campus drinking water in the years of 2020 and 2021 by the Organising Committee of China Direct Drinking Water Congress.

The acquisitions were made as part of the Group's strategy to facilitate the pipeline direct drinking water business in China. Details of the acquisitions were set out in the announcement of the Company dated 29 September 2021 and 20 September 2021 respectively.

## **BUSINESS REVIEW**

The Group's total revenue continuously increased from HK\$10,345.5 million for the year ended 31 March 2021 to HK\$12,949.8 million for the year ended 31 March 2022, representing a significant increase of 25.2%. 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 "Environmental protection" segments. The total revenue attributable to the "City water supply operation and construction" and "Environmental protection" segments increased from HK\$9,749.2 million to HK\$11,597.9 million. This represented a steady and continuous growth of segments revenue by 19.0%, 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, Guangxi, Guizhou, Hainan, Jiangsu, Jiangxi, Shenzhen, Guangdong, Chongqing, Shandong, Shanxi and Heilongjiang.

Direct drinking water projects of the Group are well spread in various provincial cities and regions across China, including Hunan, Hubei, Henan, Hebei, Guizhou, Jiangsu, Jiangxi, Shenzhen, Guangdong, Guangxi, Chongqing, Shandong, Shanxi, Anhui, Zhejiang, Xinjiang, Yunnan, Sichuan, Ningxia and Fujian.

For the year under review, the revenue from city water supply operation and construction segment amounted to HK\$10,347.1 million (2021: HK\$8,544.0 million), representing a steady increase of 21.1% 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\$3,710.2 million (2021: HK\$3,392.2 million), representing a steady increase of 9.4% 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 increased 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, Hunan, Hubei, Guizhou, Jiangxi, Shaanxi, Heilongjiang and Sichuan.

For the year under review, the revenue from environmental protection segment amounted to HK\$1,250.8 million (2021: HK\$1,205.2 million), representing a slight increase 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\$411.0 million (2021: HK\$294.0 million), representing a significant increase of 39.8% as compared with the last corresponding year. This was mainly due to procurement of more construction work driven by the supply-drainage integration and increase in volume of processed sewage 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\$531.7 million (2021: HK\$333.2 million). The total property business segment profit amounted to HK\$118.3 million (2021: HK\$31.3 million), representing a significant increase of 278.0% as compared with the last corresponding year. This was mainly due to the increase in sales of property projects in current year.

For the year under review, the overall increase in the Group's share of results of associates was mainly attributable to the increase in the total contribution to the Group by Kangda International Environmental Company Limited ("Kangda International"), whose ordinary shares are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). For the year under review, the total contribution to the Group by Kangda International amounted to HK\$145.0 million, which represented share of results of Kangda International. For the corresponding year under review, the total contribution to the Group by Kangda International amounted to HK\$120.8 million, which comprised (i) the deemed loss on disposal of HK\$39.5 million arising from the exercise of 107,350,000 share options of Kangda International at the exercise price of HK\$0.76 per share held by the share options holders, resulting in the issue of 107,350,000 ordinary shares of HK\$0.01 each of Kangda International for a total cash consideration of HK\$81,586,000; and (ii) share of results of Kangda International of HK\$160.3 million.

## PROSPECTS

Encountering the wax and wane of the COVID-19 pandemic which posed enormous challenges to domestic social and production activities, the Group demonstrated sustainable “resilience” by its predominant engagement in utility business with water supply service as its core. Recently, several authorities and committees of the PRC had promulgated a series of policies to stabilise the economy by encouraging and enhancing infrastructure construction. Specifically, the General Office of the State Council had issued “Opinions on Promoting Urbanisation with Counties and Towns as Vital Drivers”, which provided opportunities for the Group’s strategic implementation of urban-rural water supply integration and supply-drainage integration. On 25 May, Premier Li Keqiang clarified the development theme as “stabilising the economy” during an important television and telephone speech on national efforts to maintain stability in economic fundamentals. On the same day, the General Office of the State Council promulgated “Opinions on Further Revitalisation of Reserve Assets to Expand Effective Investments”, under which new infrastructure will be favored by both the revitalisation of assets from a financing perspective and the expansion of effective investments from an investing perspective. As economic growth gradually revives to a reasonable range, water supply and utility businesses would further enjoy the benefits of overall economic development.

During the current financial year, the “Measures for the Administration of Urban Water Supply Tariff”, a new policy promulgated by the National Development and Reform Commission, came into effect, under which more transparency and higher predictability will be expected in the process and cycle of water price adjustment. It will provide further policy assurances for the healthy development of the Company’s water supply business.

This year is a crucial year for the Group’s efforts to promote its pipeline direct drinking water business into one of its two predominant businesses. The Group will continue to accelerate the development of its pipeline direct drinking water business in various regions, with an aim to improve its service quality and provide urban and rural residents with better “last-meter” drinking water solutions. The Group will strive to fulfill the general desire of the people to improve their quality of life and take the lead to promote a low-carbon and healthy lifestyle.

Looking ahead, the Group will take advantage of favorable policies and market opportunities, adhere to the win-win business development model of cooperation with local governments, position itself around the dual-core businesses of water supply and pipeline direct drinking water, adopt technology and innovation to create new business growth points, enhance operational efficiency and synergies, and provide customers with a full range of professional water services. While steadily improving the Group’s revenue and profitability, the Company will attain sustainable and high-quality development, contributing to the improvement of people’s livelihood and creating higher returns for shareholders.



## **ISSUE AND REDEMPTION OF SENIOR NOTES**

On 11 May 2021, the Company and certain existing subsidiaries of the Company which provided guarantee (the “Subsidiary Guarantors”), entered into the purchase agreement with Morgan Stanley & Co. International plc, BNP Paribas, Australia and New Zealand Banking Group Limited, The Bank of East Asia, Limited, China CITIC Bank International Limited, DBS Bank Ltd. and BOCOM International Securities Limited, in connection with the issue of US\$200,000,000 4.85% senior notes due May 2026 (the “Original 2021 Notes”). The Company intended to use the net proceeds from the notes issue in the Company’s repayment of the senior notes due February 2022 (the “2017 Notes”) and certain other indebtedness and for financing working capital and in accordance with the Company’s green finance framework.

On 21 June 2021, the Company has completed the partial redemption of the 2017 Notes at the redemption price equal to 101.3125% of the principal amount thereof, being US\$150,000,000, plus accrued and unpaid interest. Upon completion of the partial redemption, the redeemed notes were cancelled and the outstanding principal amount of the 2017 Notes was US\$150,000,000.

On 19 January 2022, the Company and the Subsidiary Guarantors entered into the purchase agreement with Morgan Stanley & Co. International plc, Barclays Bank PLC, BOCOM International Securities Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, China CITIC Bank International Limited, Standard Chartered Bank, Huatai Financial Holdings (Hong Kong) Limited, Nomura International (Hong Kong) Limited, Mizuho Securities Asia Limited, UBS AG Hong Kong Branch, Australia and New Zealand Banking Group Limited, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited and CTBC Bank Co., Ltd, in connection with the additional issue of US\$150,000,000 notes (the “Additional Notes”), to be consolidated and form a single series and rank pari passu with the Original 2021 Notes. The Additional Notes will mature on May 2026, unless earlier redeemed in accordance with the terms thereof.

The 2017 Notes matured on 7 February 2022. The Company has repaid the 2017 Notes in full at their outstanding principal amount of US\$150,000,000 together with interest accrued to the maturity date.



## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year, the Group maintained a satisfactory liquidity level. As at 31 March 2022, the Group has total cash and cash equivalents and pledged deposits of approximately HK\$6,529.2 million (2021: HK\$4,416.3 million), which are mainly in Hong Kong dollars, Renminbi and United States dollars. The gearing ratio, calculated as a percentage of total liabilities to total assets, is 64.1% (2021: 64.0%) as at 31 March 2022.

As at 31 March 2022, the Group's current liabilities exceeded its current assets by HK\$2,749.5 million (2021: net current liabilities of HK\$1,670.4 million). It was mainly due to maturity of the outstanding principal amount of a syndicated bank loan amounting to US\$200 million (approximately HK\$1,560 million) within one year. In the opinion of the directors of the Company, after taken into account the available loan facilities, the Group will have sufficient working capital to meet its financial obligation in full as they fall due in the foreseeable future.

As at 31 March 2022, the Group's aggregate outstanding borrowings amounted to HK\$21,863.5 million (31 March 2021: HK\$18,428.9 million), which are mainly in Hong Kong dollars, Renminbi and United States dollars. The increase in overall borrowings was mainly due to the loans raised related to the capital expenditure, repayment of indebtedness and working capital requirements of the Group. 73.4% of such outstanding borrowings was arranged on floating rate basis and the balance of 26.6% was at fixed rate basis. According to the repayment schedule, HK\$7,692.1 million was repayable within one year and the balance of HK\$14,171.4 million was repayable after one year. As at 31 March 2022, the total unutilised loan facilities available to the Group amounted to HK\$1,680.7 million (2021: HK\$2,649.3 million).

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Save as disclosed under the heading "Issue and Redemption of Senior Notes" 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 2022, 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 3 September 2021 due to their other business commitments.

## **HUMAN RESOURCES**

As at 31 March 2022, the Group has employed approximately 11,000 staff. Most of them stationed in the PRC and 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.

The Company had adopted a share option scheme to incentivise the directors, senior management and employees of the Group. During the year ended 31 March 2022, no option was granted by the Company pursuant to the share option scheme.

## **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 2022 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 2022 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 2022 have been agreed by the Company’s auditor, PricewaterhouseCoopers (“PwC”), to the amount set out in the Group’s draft 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, 28 June 2022

*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, three non-executive Directors, being Mr. Zhao Hai Hu, 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