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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2026

UNAUDITED FINANCIAL HIGHLIGHT FOR THE SIX MONTHS ENDED 30 SEPTEMBER

		2026 ***HK$ million***	2025 *HK$ million*	Changes % *Note (1)*
Revenue	Total	**5,032.4**	5,183.3	(2.9)
	Pipeline direct drinking water supply operations and pipeline direct drinking water supply installation and maintenance services	**179.8**	192.2	(6.5)
	Pipeline direct drinking water supply construction services	**63.2**	52.9	19.5
	City water supply operations and city water supply installation and maintenance services	**2,477.4**	2,357.5	5.1
	City water supply construction services	**971.4**	1,163.8	(16.5)
	Sewage treatment and drainage operations services	**315.7**	360.6	(12.5)
	Sewage treatment and water environmental renovation construction services	**285.2**	489.5	(41.7)
Segment profit	Pipeline direct drinking water supply	**90.1**	74.6	20.9
	City water supply	**1,012.0**	941.3	7.5
	Environmental protection	**265.8**	366.6	(27.5)
EBITDA (*Note (2)*)		**2,289.2**	2,155.4	6.2
Profit for the period attributable to owners of the Company		**665.1**	571.3	16.4
Earnings per share – Basic		**HK40.89 cents**	HK35.12 cents	16.4
Interim dividend per share		**HK10 cents**	HK13 cents	(23.1)

Notes: (1) The average exchange rate of Renminbi to Hong Kong Dollar adopted by the Group for financial reporting purpose appreciated by approximately 5.5% as compared with the last corresponding period.

(2) Calculated as profit before finance costs, income tax, depreciation and amortisation

* *For identification purpose only*

RESULTS

The board of directors (the "Board") of China Water Affairs Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2026, together with the comparative figures for the corresponding period in 2025, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2026	2025
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**5,032,434**	5,183,257
Cost of sales		**(3,302,541)**	(3,356,256)
Gross profit		**1,729,893**	1,827,001
Other income, net	3	**235,741**	228,645
Selling and distribution costs		**(71,290)**	(73,132)
Administrative expenses		**(354,928)**	(363,828)
Expected credit loss on trade and other receivables		**(55,000)**	(10,000)
Operating profit	5	**1,484,416**	1,608,686
Finance costs	6	**(375,499)**	(351,945)
Share of results of associates		**147,886**	(38,863)
Profit before income tax		**1,256,803**	1,217,878
Income tax expense	7	**(275,201)**	(262,317)
Profit for the period		**981,602**	955,561

	Notes	Six months ended 30 September	
		2026	2025
		(unaudited)	(unaudited)
		HK$'000	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		**665,105**	571,251
Non-controlling interests		**316,497**	384,310
		981,602	955,561
Earnings per share for profit attributable to owners of the Company during the period	8	***HK cents***	*HK cents*
Basic		**40.89**	35.12
Diluted		**40.89**	35.12

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2026	2025
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit for the period	**981,602**	955,561
Other comprehensive income/(loss)		
Items that have been or may be reclassified subsequently to profit or loss:		
– Fair value changes on derivative financial instruments	**(131,948)**	(21,172)
– Currency translation	**1,051,954**	342,774
– Recycling of currency translation differences upon disposal or deregistration of subsidiaries	**12**	405
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	**754**	3,479
– Share of other comprehensive income of an associate	**–**	2,486
Other comprehensive income for the period, net of tax	**920,772**	327,972
Total comprehensive income for the period	**1,902,374**	1,283,533
Total comprehensive income attributable to:		
Owners of the Company	**1,310,050**	807,660
Non-controlling interests	**592,324**	475,873
	1,902,374	1,283,533

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2026 (unaudited) HK$'000	31 March 2026 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,823,776**	2,682,895
Right-of-use assets		**1,574,746**	1,383,240
Investment properties		**1,555,217**	1,504,810
Investment in associates		**2,707,835**	2,466,445
Financial assets at fair value through other comprehensive income		**392,588**	376,113
Goodwill		**1,426,592**	1,391,634
Other intangible assets		**39,482,674**	37,510,896
Prepayments, deposits and other receivables		**407,833**	598,484
Contract assets		**1,865,310**	1,588,752
Receivables under service concession arrangements		**2,694,822**	2,692,436
		54,931,393	52,195,705
Current assets			
Properties under development		**687,222**	655,736
Properties held for sale		**1,200,586**	1,175,245
Inventories		**813,491**	732,303
Contract assets		**3,595,218**	3,273,091
Receivables under service concession arrangements		**256,858**	238,933
Trade and bills receivables	10	**3,133,465**	2,891,670
Financial assets at fair value through profit or loss		**7,558**	78,652
Amounts due from non-controlling equity holders of subsidiaries		**545,454**	520,786
Amounts due from associates		**1,450,801**	1,402,726
Prepayments, deposits and other receivables		**3,315,615**	2,994,542
Pledged deposits		**325,422**	305,058
Cash and cash equivalents		**3,150,204**	4,238,108
		18,481,894	18,506,850

	Notes	As at 30 September 2026 (unaudited) HK$'000	31 March 2026 (audited) HK$'000
Current liabilities			
Lease liabilities		**60,698**	56,335
Contract liabilities		**997,060**	916,911
Trade and bills payables	11	**8,433,190**	8,177,270
Accrued liabilities, deposits received and other payables		**3,381,647**	2,867,615
Amounts due to associates		**28,693**	29,835
Borrowings		**6,505,082**	7,777,490
Amounts due to non-controlling equity holders of subsidiaries		**409,756**	122,730
Provision for tax		**3,640,080**	3,546,475
		23,456,206	23,494,661
Net current liabilities		**(4,974,312)**	(4,987,811)
Total assets less current liabilities		**49,957,081**	47,207,894
Non-current liabilities			
Borrowings		**20,096,981**	18,376,405
Lease liabilities		**408,283**	419,625
Contract liabilities		**260,174**	258,105
Amounts due to non-controlling equity holders of subsidiaries		**272,624**	749,640
Deferred government grants		**171,415**	170,888
Deferred tax liabilities		**2,075,882**	1,900,498
		23,285,359	21,875,161
Net assets		**26,671,722**	25,332,733
EQUITY			
Equity attributable to owners of the Company			
Share capital		**16,323**	16,323
Reserves		**16,617,624**	15,050,389
		16,633,947	15,066,712
Non-controlling interests		**10,037,775**	10,266,021
Total equity		**26,671,722**	25,332,733

Notes:

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2026 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2026, which have been prepared in accordance with HKFRS Accounting Standards.

As at 30 September 2026, the Group's current liabilities exceeded its current assets by approximately HK$4,974.3 million (31 March 2026: HK$4,987.8 million). 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 of the cashflow generated from operations, the internal financial resources, available loan and financing facilities and offers, and new loan and financing facilities currently under negotiation. In particular, the Company issued additional US$150,000,000 5.875% senior notes due 2030 during the six months ended 30 September 2026. The directors of the Company believe that the Group will be able to renew or extend its existing loan and financing facilities and to drawdown from the unused loan and financing facilities and offers when needed. The Group will also continue to seek new loan and financing facilities and offers at terms acceptable to the Group. The Group therefore continues to adopt the going concern basis in preparing its unaudited interim condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing these interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2026 except for the adoption of the amendments to HKFRS Accounting Standards issued by the HKICPA that have become effective for accounting period beginning on 1 April 2026.

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standards issued by HKICPA:

Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7

The amendments to standards adopted by the Group did not have material impact on the Group's financial position and performance.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of the new and revised standards, amendments or interpretations to the Group but is not yet in a position to state whether they would have material financial impact on the Group's financial position and performance.

3. REVENUE AND OTHER INCOME

Revenue derived from the Group's principal activities, which is also the Group's turnover, recognised during the period is as follows:

	Six months ended 30 September	
	2026	2025
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue:		
Point in time		
City water supply operations	**1,942,578**	1,801,219
Pipeline direct drinking water supply operations	**174,121**	184,902
Sales of goods	**429,906**	324,632
Sales of properties	**39,334**	304
Others	**125,683**	112,487
	2,711,622	2,423,544
Overtime		
City water supply installation and maintenance services	**534,854**	556,304
Pipeline direct drinking water supply installation and maintenance services	**5,629**	7,254
City water supply construction services	**971,419**	1,163,772
Pipeline direct drinking water supply construction services	**63,163**	52,864
Sewage treatment and drainage operations services	**315,704**	360,613
Sewage treatment and water environmental renovation construction services	**285,193**	489,500
Hotel and rental income	**40,004**	41,470
Finance income	**65,914**	29,376
Handling income	**21,897**	19,834
Others	**17,035**	38,726
	2,320,812	2,759,713
Total	**5,032,434**	5,183,257
Other income, net:		
Interest income	**72,900**	110,267
Government grants and subsidies	**103,265**	92,006
Amortisation of deferred government grants	**5,434**	5,302
Dividend income from financial assets	**712**	743
(Loss)/gain on disposal or deregistration of subsidiaries, net	**(760)**	1,197
Gain on disposal of property, plant and equipment, net	**343**	186
Gain on disposal of right-of-use assets	**262**	–
Loss on disposal of other intangible assets, net	**(17)**	(527)
Miscellaneous income, net	**53,602**	19,471
Total	**235,741**	228,645

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" involves the provision of city water supply operations and construction, installation and maintenance services and other services;

(ii) "Pipeline direct drinking water supply" involves the provision of pipeline direct drinking water supply operations and construction, installation and maintenance services and other services;

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

(iv) "Main contractor construction" involves the provision of municipal public construction services by the Group's subsidiary which possesses Grade 1 main contractor qualification; and

(v) "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".

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 HKFRS Accounting Standards, except that finance costs, share of results of associates, corporate income, corporate expense, income tax expense, expected credit loss on other receivables and loss/gain on disposal or deregistration 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.

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.

For the period ended 30 September 2026 (unaudited)

	City water supply *HK$'000*	Pipeline direct drinking water supply *HK$'000*	Environmental protection *HK$'000*	Main contractor construction *HK$'000*	Property development and investment *HK$'000*	All other segments *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue								
From external customers	**3,372,904**	**265,047**	**655,172**	**266,730**	**53,874**	**418,707**	**–**	**5,032,434**
From inter-segment	**6,665**	**11,906**	**–**	**110,407**	**–**	**2,178**	**(131,156)**	**–**
Segment revenue	**3,379,569**	**276,953**	**655,172**	**377,137**	**53,874**	**420,885**	**(131,156)**	**5,032,434**
Segment profit	**1,012,030**	**90,143**	**265,790**	**77,345**	**1,248**	**22,958**	**–**	**1,469,514**
Unallocated corporate income								**130,651**
Unallocated corporate expense								**(115,749)**
Finance costs								**(375,499)**
Share of results of associates	**13,831**	**296**	**150,407**	**–**	**–**	**(16,648)**	**–**	**147,886**
Profit before income tax								**1,256,803**
Income tax expense								**(275,201)**
Profit for the period								**981,602**
Total segment assets	**42,099,289**	**5,093,042**	**8,243,971**	**3,958,740**	**4,365,268**	**1,897,094**	**–**	**65,657,404**

For the period ended 30 September 2025 (unaudited)

	City water supply *HK$'000*	Pipeline direct drinking water supply *HK$'000*	Environmental protection *HK$'000*	Main contractor construction *HK$'000*	Property development and investment *HK$'000*	All other segments *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue								
From external customers	3,270,822	263,208	832,375	398,246	16,955	401,651	–	5,183,257
From inter-segment	26,583	3,428	3,301	182,308	–	–	(215,620)	–
Segment revenue	3,297,405	266,636	835,676	580,554	16,955	401,651	(215,620)	5,183,257
Segment profit	941,272	74,586	366,574	158,344	464	32,917	–	1,574,157
Unallocated corporate income								125,899
Unallocated corporate expense								(91,370)
Finance costs								(351,945)
Share of results of associates	9,860	–	(31,682)	–	–	(17,041)	–	(38,863)
Profit before income tax								1,217,878
Income tax expense								(262,317)
Profit for the period								955,561
Total segment assets	38,270,545	4,641,247	7,389,237	3,091,318	3,998,363	1,736,782	–	59,127,492

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

Operating profit is arrived at after charging:

	Six months ended 30 September	
	2026	2025
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**57,769**	57,615
Depreciation of right-of-use assets	**47,954**	41,447
Amortisation of other intangible assets	**551,199**	486,469

6. FINANCE COSTS

	Six months ended 30 September	
	2026	2025
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**448,755**	467,872
Interest on other loans	**187,060**	173,411
Interest on amounts due to non-controlling equity holders of subsidiaries	**4,974**	5,037
Interest on lease liabilities	**12,089**	11,656
Total borrowing costs	**652,878**	657,976
Less: interest capitalised included in property, plant and equipment, investment properties, contract assets, other intangible assets and properties under development	**(277,379)**	(306,031)
	375,499	351,945

7. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2025: Nil). Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

	Six months ended 30 September	
	2026	2025
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current income tax		
– the PRC	**272,193**	283,974
Deferred tax	**3,008**	(21,657)
Total income tax expense	**275,201**	262,317

8. 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 period attributable to owners of the Company of HK$665,105,000 (2025: HK$571,251,000) and the weighted average of 1,626,712,000 (2025: 1,626,786,000) ordinary shares in issue during the period.

The computation of diluted earnings per share does not assume the exercise of the Company's warrants and share options because the exercise prices of those warrants and share options were higher than the average market price of shares for the periods from the respective issue dates of the warrants and share options to 30 September 2026. Save as the warrants and share options mentioned above, there were no other potential dilutive ordinary shares in existence during the financial period ended 30 September 2026 and 2025.

9. DIVIDEND

Dividend attributable to the interim period

	Six months ended 30 September	
	2026	2025
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interim dividend		
– HK$0.10 (2025: HK$0.13) per ordinary share	**162,671**	211,473

The interim dividends proposed after the reporting date for the financial period ended 30 September 2026 and 2025 were not recognised as a liability at the reporting date.

10. TRADE AND BILLS RECEIVABLES

The ageing analysis of trade and bills receivables based on the invoice dates is as follows:

	As at	
	30 September 2026	31 March 2026
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 to 90 days	**1,479,108**	1,296,870
91 to 180 days	**478,016**	490,603
Over 180 days	**1,176,341**	1,104,197
	3,133,465	2,891,670

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for certain construction, installation and maintenance projects for which settlement is made in accordance with the terms specified in the contracts governing the relevant transactions.

11. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables based on the invoice dates is as follows:

	As at	
	30 September 2026	31 March 2026
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 to 90 days	**3,908,186**	3,932,368
91 to 180 days	**1,782,953**	1,789,163
Over 180 days	**2,742,051**	2,455,739
	8,433,190	8,177,270

The credit terms of trade and bills payables vary according to the terms agreed with different suppliers.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.10 per ordinary share (2025: HK$0.13 per ordinary share) for the six months ended 30 September 2026. The interim dividend is expected to be paid on or about Friday, 18 June 2027 to the shareholders whose names appear on the register of members on Friday, 28 May 2027.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 May 2027 to Friday, 28 May 2027 both days inclusive, during which period no transfer of shares of the Company will be registered. The record date will be Friday, 28 May 2027. In order to qualify for the entitlement to the interim dividend for the six months ended 30 September 2026, 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 Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 25 May 2027.

BUSINESS REVIEW

The Group's total revenue decreased from HK$5,183.3 million for the six months ended 30 September 2025 to HK$5,032.4 million for the six months ended 30 September 2026, representing a decrease of 2.9%. The Group optimised its development strategy to enhance project management on core business. The Group put more emphasis on controls over capital expenditure and the return of projects which in turn led to slowdown in the construction activities and thus decline in relevant construction revenue. For the period under review, the total revenue attributable to the "City water supply", "Pipeline direct drinking water supply" and "Environmental protection" segments decreased from HK$4,366.4 million to HK$4,293.1 million. This represented a slight decrease of segments revenue by 1.7%, which was mainly because of overall decrease in installation and maintenance and construction works in "City water supply" and "Environmental protection" segments during the period.

(i) City Water Supply Business Analysis

City water supply projects of the Group are well spread in various provincial cities and regions across China, including Hunan, Hubei, Henan, Hebei, Guizhou, Hainan, Jiangsu, Jiangxi, Guangdong (including Shenzhen), Chongqing, Shandong, Shanxi and Heilongjiang.

For the period under review, the revenue from city water supply segment amounted to HK$3,372.9 million (2025: HK$3,270.8 million), representing an increase of 3.1% as compared with the last corresponding period. The city water supply segment profit amounted to HK$1,012.0 million (2025: HK$941.3 million), representing an increase of 7.5% as compared with the last corresponding period. This was mainly because of the net effect of an increase in city water supply operations and the overall decrease in installation and maintenance and construction works during the period.

(ii) Pipeline Direct Drinking Water Supply Business Analysis

Pipeline direct drinking water supply projects of the Group are well spread in various provincial cities and regions across China, including Hunan, Hubei, Henan, Hebei, Guizhou, Jiangsu, Jiangxi, Guangdong (including Shenzhen), Guangxi, Beijing, Shanghai, Chongqing, Shandong, Shanxi, Anhui, Zhejiang, Yunnan, Sichuan, Ningxia, Fujian, Heilongjiang, Hainan, Liaoning and Shaanxi.

For the period under review, the revenue from pipeline direct drinking water supply segment amounted to HK$265.0 million (2025: HK$263.2 million), representing a slight increase of 0.7% as compared with the last corresponding period. The pipeline direct drinking water supply segment profit amounted to HK$90.1 million (2025: HK$74.6 million), representing an increase of 20.9% as compared with the last corresponding period. This was mainly because of the successful implementation of cost control measures during the period.

(iii) Environmental Protection Business Analysis

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

For the period under review, the revenue from environmental protection segment amounted to HK$655.2 million (2025: HK$832.4 million), representing a decrease of 21.3% as compared with the last corresponding period. The environmental protection segment profit amounted to HK$265.8 million (2025: HK$366.6 million), representing a decrease of 27.5% as compared with the last corresponding period. This was mainly because of decrease in construction works during the period.

(iv) Main Contractor Construction Business Analysis

Main contractor construction projects were carried out by the Group's subsidiary which possesses Grade 1 main contractor qualification for nationwide municipal public construction works in China.

For the period under review, the revenue from external customers of the main contractor construction segment amounted to HK$266.7 million (2025: HK$398.2 million), representing a decrease of 33.0% as compared with the last corresponding period. The main contractor construction segment profit amounted to HK$77.3 million (2025: HK$158.3 million), representing a decrease of 51.2% as compared with the last corresponding period, which was mainly due to the decrease of construction work for water supply projects in current period.

(v) 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 period under review, the revenue from the property business segment amounted to HK$53.9 million (2025: HK$17.0 million). The total property business segment profit amounted to HK$1.2 million (2025: HK$0.5 million), representing an increase of 169.0% as compared with the last corresponding period. This was mainly due to the increase in sales of property projects in current period.

For the period under review, the overall increase in the Group's share of results of associates was mainly attributable to the one-off gain arising from further acquisition of interest of Kangda International Environmental Company Limited ("Kangda"), whose ordinary shares are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). For the period under review, the total contribution to the Group by Kangda amounted to the profit of HK$152.1 million, which comprised (i) the gain of HK$90.0 million arising from further acquisition of interest of Kangda for a total cash consideration of HK$28,427,000; and (ii) share of results of Kangda of HK$62.1 million. For the corresponding period under review, the total contribution to the Group by Kangda amounted to the loss of HK$31.8 million, which comprised (i) the deemed loss on disposal of HK$64.2 million arising from the exercise of 167,273,500 share options of Kangda at the exercise price of HK$0.30 per share held by the share options holders, resulting in the issue of 167,273,500 ordinary shares of HK$0.01 each of Kangda for a total cash consideration of HK$50,182,000; and (ii) share of results of Kangda of HK$32.4 million.

ISSUE OF WARRANTS

On 1 April 2026, the Company entered into the warrant placing agreement with First Shanghai Securities Limited as the placing agent in connection with the warrant placing, pursuant to which the placing agent has agreed to place, on a best effort basis, up to 130,000,000 warrants conferring rights to subscribe for up to 130,000,000 warrant shares at the initial warrant exercise price of HK$7.02 per warrant share (subject to adjustment) to the warrant placee(s) who and whose ultimate beneficial owner(s) (if applicable) shall be third party(ies) independent of and not connected with the Company, its connected persons, and their respective associates. In the event that the price of the Company's shares trading on the Stock Exchange at the time when the warrant holders exercise their respective subscription rights exceeds HK$7.34, the Company shall have the sole and absolute discretion to reject to exercise of the subscription rights.

The warrants were placed at HK$0.10 each. Each warrant carries the right to subscribe for one (1) warrant share. The subscription rights attaching to the warrants may be exercised at any time during the period of 36 months commencing from the date of the issue of the warrants.

The Company applied to the Stock Exchange for the listing of, and permission to deal in, the warrant shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the warrants. No listing of the warrants will be sought on the Stock Exchange or any other stock exchanges. The warrant shares to be allotted and issued upon exercise of the subscription rights attaching to the warrants will be allotted and issued pursuant to the specific mandate granted to the Directors by the shareholders at the special general meeting on 18 June 2026.

The gross proceeds and net proceeds from the issue of the warrants were approximately HK$13,000,000 and HK$12,500,000, respectively. The net proceeds from the issue of the Warrants is expected to be used for general working capital of the Group, including the payment of salary, rental expenses and other office overhead of the Group.

All the conditions precedent to the warrant placing have been fulfilled and completion of the warrant placing took place on 24 July 2026 in accordance with the terms and conditions of the warrant placing agreement and the extension letter.

Further details of which had been disclosed in the Company's announcements and circular dated 1 April 2026, 13 May 2026, 18 June 2026, 30 June 2026 and 24 July 2026.

ISSUE OF SENIOR NOTES

On 28 April 2026, the Company and certain subsidiaries of the Company which provide unconditional and irrevocable guarantees to secure the Company's obligations under the additional notes entered into the purchase agreement with Morgan Stanley & Co. International plc, China International Capital Corporation Hong Kong Securities Limited, China CITIC Bank International Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, China Galaxy International Securities (Hong Kong) Co., Limited, CLSA Limited, CMBC Securities Company Limited, Mashreqbank psc, SMBC Nikko Securities (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, as initial purchasers, in connection with the issue and sale of additional 5.875% senior notes due 2030 (the "Additional Notes") in the aggregate principal amount of US$150,000,000 (the "Additional Notes Issue"). The Additional Notes will be consolidated and form a single series with the US$150,000,000 5.875% senior notes due 2030 issued in October 2025.

The gross proceeds from the Additional Notes Issue were approximately US$143.0 million. The net proceeds, after deducting the underwriting discounts and commissions and other estimated expenses payable by the Company in connection with this offering, will be used to fund the concurrent offer to purchase that the Company commenced on 27 April 2026 to purchase for cash its outstanding 4.85% senior notes due 2026 and repay certain other offshore indebtedness. Subject to the foregoing, the Company plans to use an amount equal to the gross proceeds from the offering to finance or refinance, in whole or in part, eligible green projects, particularly water supply projects, in accordance with the Company's green & blue finance framework.

Further details of which had been disclosed in the Company's announcements dated 27 April 2026, 29 April 2026, 7 May 2026, 11 May 2026 and 12 May 2026.

PROSPECTS

Ushering in the inaugural year of China's 15th Five-Year Plan, year 2026 is a crucial timeframe. In 2026, the central government allocated a special fund of RMB257 billion to support the retrofitting of pipelines and ageing residential communities. Coupled with the accelerated handover of waterworks for secondary water supply and the implementation of water tariff adjustment mechanisms, the industry is set to benefit from a dual boost in "funding + pricing", creating substantial room for the Group to enhance its water supply services and refine the operation and maintenance of its facilities.

In the face of opportunities, the Group will remain steadfast in its quality development strategy and maintain its strategic focus, by enforcing stringent controls over capital expenditure and proactively tapping into policy-supported funding. With AI-driven smart water services, the Group aims at shifting its growth pattern toward one "driven by efficiency and value". In particular, the business focus will be extended toward the handover of waterworks for secondary water supply, the operation and maintenance of asset-light facilities and smart zoning, while the integration of urban and rural water supply and drainage as well as the market for reclaimed water will be steadily developed. To enhance the efficiency of water supply, AI technology will be mainly adopted for leakage mitigation, energy consumption optimization and intelligent scheduling. Through digital management, the "cost reduction, efficiency enhancement and leakage mitigation" could be realized, practically translating lightweight digital investments into improved per-unit water efficiency and stronger free cash flow. Regarding direct drinking water, we shall adhere to a strategy of steady expansion for the continuous building of a second growth path. Upholding the strategy of "focusing on core areas and reinforcing regional presence," we are expanding our boundaries by leveraging the existing franchised pipelines and customer base. As return on investment would be prioritized, heavy-asset investment would be strictly monitored to ensure that direct drinking water may serve as a stable growth driver that could generate substantial profits.

The Group remains committed to the principles of "financial prudence and prioritizing cash flow" by relentlessly reducing debt and finance costs, improving return on invested capital (ROIC) and fully implementing ESG governance. Guided by the philosophy of "a water oriented and kindness to society," we are consolidating our operational foundation and creating sustainable long-term value for our shareholders and society via sound performance.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2026, the Group maintained a satisfactory liquidity level. As at 30 September 2026, the Group has total cash and cash equivalents and pledged deposits of approximately HK$3,475.6 million (31 March 2026: HK$4,543.2 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 reduced to 63.7% (31 March 2026: 64.2%) as at 30 September 2026.

As at 30 September 2026, the Group's current liabilities exceeded its current assets by HK$4,974.3 million (31 March 2026: net current liabilities of HK$4,987.8 million). It was mainly due to maturity of various long-term bank and other loans, new and existing short-term bank loans due within one year. In the opinion of the directors of the Company, after taken into account the cashflow generated from operations, the internal financial resources, available loan and financing facilities and offers, and new loan and financing facilities currently under negotiation, the Group will have sufficient working capital to meet its financial obligation in full as they fall due in the next twelve months.

As at 30 September 2026, the Group's aggregate outstanding borrowings amounted to HK$26,602.1 million (31 March 2026: HK$26,153.9 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. 70.7% of such outstanding borrowings was arranged on floating rate basis and the balance of 29.3% was at fixed rate basis. According to the repayment schedule, HK$6,505.1 million was repayable within one year and the balance of HK$20,097.0 million was repayable after one year.

During the period under review, the Company continued to deepen its cooperation with the existing banks and financial institutions, broaden the financing channels by cooperating with new banks and financial institutions and optimise its debt structure by means of refinancing outstanding loans repayable within one year with long-term loans which could gradually enhance the Group's liquidity position.

HUMAN RESOURCES

As at 30 September 2026, the Group has employed approximately 9,600 staff. Most of them are 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 period ended 30 September 2026, the Company granted 78,800,000 share options (subject to vesting condition and performance target) to Mr. Duan Chuan Liang, the chairman of the Board, an executive director and a substantial shareholder of the Company to subscribe for a total of 78,800,000 ordinary shares of HK$0.01 each in the share capital of the Company under the Company's share option scheme adopted on 9 September 2022, which are exercisable for a period of five years from the date of grant. The exercise price is HK$4.51 per share. Further details of which had been disclosed in the Company's announcements and circular dated 30 June 2026, 28 August 2026 and 28 September 2026.

TREASURY AND FOREIGN EXCHANGE RISK MANAGEMENT

The Group adopted conservative treasury policies in cash and financial management for the period under review. Cash was generally placed in short-term deposits. The Group's liquidity and financing requirements were reviewed regularly.

As Hong Kong dollar was pegged with the United States dollar, the directors of the Company considered that the Group was exposed to limited risk in this aspect.

Majority of the subsidiaries of the Company operates in the PRC with most of its transactions denominated and settled in RMB. Fluctuations of exchange rates may result in exchange gain/loss and would also impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated financial statements. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in the Group's net asset value. The Group has designated certain cross currency swap contracts as hedging instruments for certain changes in the value of the net investments in the PRC, attributable to changes in the HK$/RMB. In addition, the Group manages foreign currency risk by closely monitoring the foreign exchange markets, the proportion of its borrowings in foreign currency and optimising the treasury and financial management strategies.

CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The Board reviews its corporate governance system from time to time in order to meet the rising expectations of shareholders and comply with the increasingly tightened regulatory requirements.

During the six months ended 30 September 2026, the Company has complied with all the applicable provisions of the Corporate Governance Code ("CG Code") as set out in Appendix C1 to the Listing Rules, save and except for the deviations from code provisions C.2.1, B.2.2 and C.1.5.

Under code provision C.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 B.2.2, every director should be subject to retirement by rotation at least once every three years. According to the Company's bye-laws, at each annual general meeting, one third of the directors shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the role of the chairman provides 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 C.1.5, 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 28 September 2026 due to their other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 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 six months ended 30 September 2026 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2026, the Company purchased an aggregate principal amount of US$400,000 of the US$300,000,000 5.875% senior notes due 2030 (listed on the Singapore Exchange Securities Trading Limited) at an aggregate consideration of approximately US$384,600.

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 period.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee which comprises the four independent non-executive directors of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2026 with the directors.

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2026 have been reviewed by Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as issued by the HKICPA, whose unmodified review report is included in the interim report to be sent to shareholders.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Company and the Stock Exchange. The interim report will be despatched to the shareholders of the Company and made available on the same websites in due course.

On behalf of the Board
China Water Affairs Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 27 November 2026

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Duan Chuan Liang, Ms. Ding Bin, Mr. Li Zhong and Mr. Duan Jerry Linnan, four non-executive Directors, being Mr. Li Hao, Mr. Bai Li, Mr. Xu Yan and Ms. Wang Xiaoqin, and four independent non-executive Directors, being Mr. Chau Kam Wing, Ms. Ho Ping, Mr. Xiao Zhe and Ms. Wu Zhijun.