



**中國水務集團有限公司\***

**China Water Affairs Group Limited**

Stock code : 855

Interim Report  
**2022/23**



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive

Mr. Duan Chuan Liang (*Chairman*)  
Ms. Ding Bin  
Ms. Liu Yu Jie  
Mr. Li Zhong  
Mr. Duan Jerry Linnan

#### Non-executive

Mr. Zhao Hai Hu  
Mr. Makoto Inoue  
Ms. Wang Xiaoqin

#### Independent Non-executive

Mr. Chau Kam Wing  
Mr. Siu Chi Ming  
Ms. Ho Ping  
Ms. Zhou Nan  
Mr. Chan Wai Cheung Admiral

### AUDIT COMMITTEE

Mr. Chau Kam Wing  
(*Chairman of committee*)  
Mr. Siu Chi Ming  
Ms. Ho Ping  
Ms. Zhou Nan  
Mr. Chan Wai Cheung Admiral

### REMUNERATION COMMITTEE

Mr. Chau Kam Wing  
(*Chairman of committee*)  
Mr. Siu Chi Ming  
Ms. Ho Ping  
Ms. Zhou Nan  
Mr. Chan Wai Cheung Admiral

### NOMINATION COMMITTEE

Mr. Duan Chuan Liang  
(*Chairman of committee*)  
Mr. Chau Kam Wing  
Mr. Siu Chi Ming  
Ms. Ho Ping

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 6408, 64/F  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

### HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited  
17/F, Far East Finance Centre  
16 Harcourt Road, Admiralty  
Hong Kong

### LEGAL ADVISERS

*As to Bermuda law*  
Conyers Dill & Pearman

### AUDITOR

PricewaterhouseCoopers

### PRINCIPAL BANKER

Asian Development Bank  
Australia and New Zealand Banking  
Group Limited  
Bank of Communications  
China CITIC Bank International Limited  
Industrial and Commercial Bank of China

### STOCK CODE

855

### WEBSITE

[www.chinawatergroup.com](http://www.chinawatergroup.com)

### Water supply business

- City water supply operation and construction
  - Connected users of approximately 7.7 million
  - Potential reaching population over 30 million people
  - Water pipelines over 159,000 km

### Direct drinking water business

- ★ Direct drinking water operation and construction
  - Serving population over 4 million

### Environmental protection business

- Sewage treatment operation and construction  
(including water environmental renovation construction projects)
- ▲ Drainage operation



## FINANCIAL HIGHLIGHTS

	Six months ended		Change
	30 September		
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	
<b>RESULTS HIGHLIGHTS</b>			
Revenue	<b>6,785,206</b>	6,472,791	4.8%
Gross profit	<b>2,508,330</b>	2,525,327	(0.7)%
Profit for the period	<b>1,510,416</b>	1,578,777	(4.3)%
Profit for the period attributable to owners of the Company	<b>970,357</b>	1,019,696	(4.8)%
Basic earnings per share (HK cents)	<b>59.45</b>	63.61	(6.5)%
Diluted earnings per share (HK cents)	<b>59.45</b>	62.47	(4.8)%
Interim dividend (HK cents)	<b>16</b>	16	–

	As at		Change
	30 September	31 March	
	2022 (unaudited) HK\$'000	2022 (audited) HK\$'000	
<b>BALANCE SHEET HIGHLIGHTS AND RATIOS</b>			
Total assets	<b>57,256,642</b>	57,064,442	0.3%
Total liabilities	<b>37,379,856</b>	36,581,698	2.2%
Net assets	<b>19,876,786</b>	20,482,744	(3.0)%
Net assets per share <sup>1</sup>	<b>7.58</b>	7.95	(4.7)%
Current ratio	<b>0.82</b>	0.86	
Gearing ratio <sup>2</sup>	<b>65.3%</b>	64.1%	

$$^1 \quad \text{Net assets per share} = \frac{\text{Equity attributable to owners of the Company}}{\text{Number of issued shares at period/year end}}$$

$$^2 \quad \text{Gearing ratio} = \frac{\text{Total liabilities}}{\text{Total assets}}$$

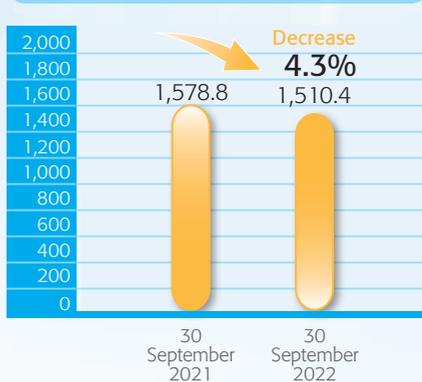
## FINANCIAL HIGHLIGHTS

The Group's total revenue and profit for the period:

### Total revenue (HK\$ million)



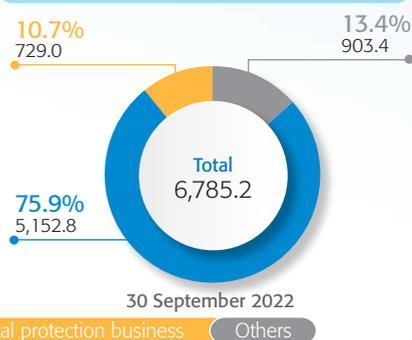
### Total profit (HK\$ million)



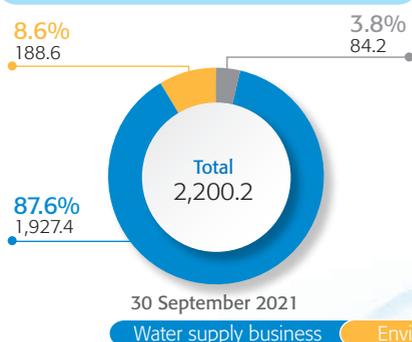
### Total segment revenue (HK\$ million)



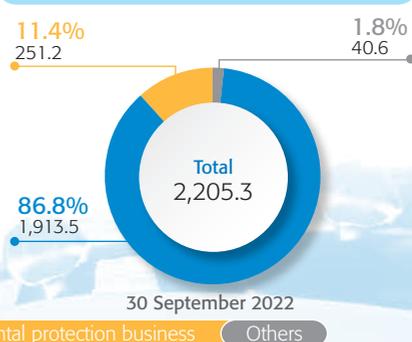
### Total segment revenue (HK\$ million)



### Total segment profit (HK\$ million)



### Total segment profit (HK\$ million)



## 1. Water Supply Business Analysis

### Revenue (HK\$ million)



### Profit (HK\$ million)



### Revenue by nature (HK\$ million)



### Revenue by nature (HK\$ million)



Water supply operation services

Water supply connection income

Water supply construction services

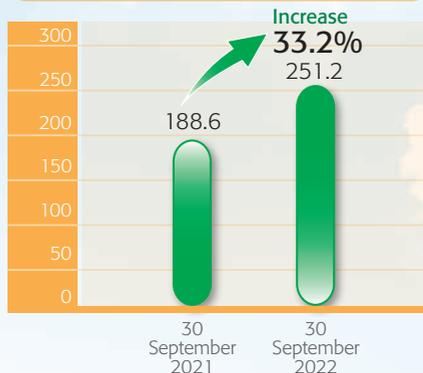
Others

## 2. Environmental Protection Business Analysis

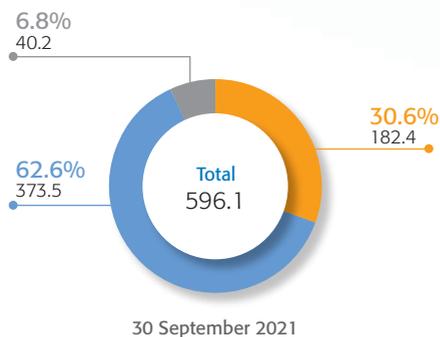
### Revenue (HK\$ million)



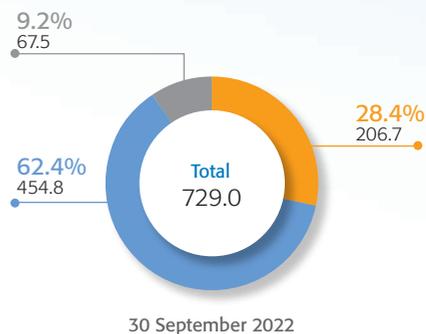
### Profit (HK\$ million)



### Revenue by nature (HK\$ million)



### Revenue by nature (HK\$ million)



Sewage treatment and drainage operation services

Sewage treatment and water environmental renovation construction services

Others

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 2022, together with the comparative figures for the corresponding period in 2021, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September	
		2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
<b>Revenue</b>	5	<b>6,785,206</b>	6,472,791
Cost of sales		<b>(4,276,876)</b>	(3,947,464)
<b>Gross profit</b>		<b>2,508,330</b>	2,525,327
Other income	5	<b>252,879</b>	212,442
Selling and distribution costs		<b>(142,515)</b>	(129,995)
Administrative expenses		<b>(468,392)</b>	(430,608)
Gain/(loss) on deregistration or disposal of subsidiaries, net		<b>675</b>	(7,384)
<b>Operating profit</b>	7	<b>2,150,977</b>	2,169,782
Finance costs	8	<b>(270,684)</b>	(200,811)
Share of results of associates		<b>126,245</b>	122,394
<b>Profit before income tax</b>		<b>2,006,538</b>	2,091,365
Income tax expense	9	<b>(496,122)</b>	(512,588)
<b>Profit for the period</b>		<b>1,510,416</b>	1,578,777

**CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)**

		<b>Six months ended 30 September</b>	
		<b>2022 (unaudited) HK\$'000</b>	2021 (unaudited) HK\$'000
<b>Notes</b>			
<b>Profit for the period attributable to:</b>			
	Owners of the Company	<b>970,357</b>	1,019,696
	Non-controlling interests	<b>540,059</b>	559,081
		<b><u>1,510,416</u></b>	<u>1,578,777</u>
<b>Earnings per share for profit attributable to owners of the Company during the period</b>			
	10	<b>HK cents</b>	HK cents
	Basic	<b><u>59.45</u></b>	<u>63.61</u>
	Diluted	<b><u>59.45</u></b>	<u>62.47</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
<b>Profit for the period</b>	<b>1,510,416</b>	1,578,777
<b>Other comprehensive (loss)/income</b>		
<i>Items that have been or may be reclassified subsequently to profit or loss:</i>		
– Currency translation	<b>(1,698,391)</b>	605,708
– Recycling of currency translation differences upon disposal or deregistration of a subsidiary	<b>12</b>	441
– Recycling of reserves upon deregistration of a subsidiary	<b>–</b>	(1,032)
<i>Items that will not be reclassified to profit or loss:</i>		
– Change in fair value of financial assets at fair value through other comprehensive income	<b>(39,802)</b>	57,719
– Share of other comprehensive income/(loss) of an associate	<b>12,377</b>	(18,765)
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(1,725,804)</b>	644,071
<b>Total comprehensive (loss)/income for the period</b>	<b>(215,388)</b>	2,222,848
<b>Total comprehensive (loss)/income attributable to:</b>		
Owners of the Company	<b>(330,578)</b>	1,518,879
Non-controlling interests	<b>115,190</b>	703,969
	<b>(215,388)</b>	2,222,848

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
Notes			
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
	Property, plant and equipment	12 <b>3,276,478</b>	3,372,755
	Right-of-use assets	12 <b>1,285,165</b>	1,366,709
	Investment properties	<b>1,315,458</b>	1,398,863
	Investment in associates	13 <b>2,360,427</b>	2,743,534
	Financial assets at fair value through other comprehensive income	14 <b>425,984</b>	396,688
	Goodwill	<b>1,419,442</b>	1,476,185
	Other intangible assets	12 <b>26,627,180</b>	26,503,555
	Prepayments, deposits and other receivables	16 <b>763,228</b>	806,617
	Contract assets	<b>879,034</b>	1,305,719
	Receivables under service concession arrangements	<b>1,710,277</b>	1,194,902
		<b>40,062,673</b>	40,565,527
<b>Current assets</b>			
	Properties under development	<b>1,300,478</b>	2,066,096
	Properties held for sale	<b>1,056,723</b>	675,926
	Inventories	<b>689,612</b>	831,658
	Contract assets	<b>1,330,545</b>	879,691
	Receivables under service concession arrangements	<b>114,305</b>	80,180
	Trade and bills receivables	15 <b>1,702,471</b>	1,561,650
	Financial assets at fair value through profit or loss	<b>1,046,015</b>	1,149,409
	Due from non-controlling equity holders of subsidiaries	<b>223,891</b>	203,054
	Due from associates	<b>142,184</b>	137,699
	Prepayments, deposits and other receivables	16 <b>2,707,194</b>	2,384,381
	Pledged deposits	<b>577,799</b>	506,350
	Cash and cash equivalents	<b>6,302,752</b>	6,022,821
		<b>17,193,969</b>	16,498,915

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	As at	
		30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
<b>Current liabilities</b>			
Lease liabilities		36,985	36,805
Contract liabilities		1,116,196	1,231,997
Trade and bills payables	17	4,980,486	4,673,899
Accrued liabilities, deposits received and other payables	18	2,908,415	2,675,905
Due to associates		71,092	50,190
Borrowings	19	8,801,229	7,692,095
Due to non-controlling equity holders of subsidiaries		393,367	290,230
Provision for tax		2,673,747	2,597,264
		<b>20,981,517</b>	<b>19,248,385</b>
<b>Net current liabilities</b>		<b>(3,787,548)</b>	<b>(2,749,470)</b>
<b>Total assets less current liabilities</b>		<b>36,275,125</b>	<b>37,816,057</b>
<b>Non-current liabilities</b>			
Borrowings	19	13,475,799	14,171,416
Lease liabilities		311,653	338,095
Contract liabilities		319,643	328,489
Due to non-controlling equity holders of subsidiaries		782,795	958,665
Deferred government grants		204,077	222,246
Deferred tax liabilities		1,304,372	1,314,402
		<b>16,398,339</b>	<b>17,333,313</b>
<b>Net assets</b>		<b>19,876,786</b>	<b>20,482,744</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at	
		30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
<i>Notes</i>			
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	21	16,323	16,323
Reserves		<b>12,364,339</b>	12,952,889
		<b>12,380,662</b>	12,969,212
<b>Non-controlling interests</b>		<b>7,496,124</b>	7,513,532
<b>Total equity</b>		<b>19,876,786</b>	20,482,744

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Net cash inflow from operating activities	<b>1,292,878</b>	1,683,923
Net cash outflow from investing activities	<b>(1,797,828)</b>	(2,062,490)
Net cash inflow from financing activities	<b>862,658</b>	1,131,082
Increase in cash and cash equivalents	<b>357,708</b>	752,515
Cash and cash equivalents at beginning of period	<b>6,022,821</b>	3,901,218
Effect of foreign exchange rates, net	<b>(77,777)</b>	18,279
Cash and cash equivalents at end of period	<b><u>6,302,752</u></b>	<u>4,672,012</u>
Analysis of balances of cash and cash equivalents		
Bank and cash balances	<b><u>6,302,752</u></b>	<u>4,672,012</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company													
	Share capital	Proposed dividend	Share premium	Capital redemption reserve	Contributed surplus	Exchange fluctuation reserve	Share options reserve	Other reserves	Financial assets at fair value through other comprehensive income revaluation reserve	Statutory reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 April 2022</b>	<b>16,323</b>	<b>295,818</b>	<b>281,716</b>	<b>3,304</b>	<b>32,373</b>	<b>1,077,273</b>	<b>96,808</b>	<b>(77,649)</b>	<b>32,825</b>	<b>1,123,518</b>	<b>10,088,903</b>	<b>12,969,212</b>	<b>7,513,532</b>	<b>20,482,744</b>
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	36,395	-	-	-	36,395	(33,808)	2,587
Disposal/(deemed disposal)/deregistration of interests in subsidiaries	-	-	-	-	-	-	-	(549)	-	-	-	(549)	899	350
Capital contribution by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	24,151	24,151
Final dividend approved	-	(293,818)	-	-	-	-	-	-	-	-	-	(293,818)	-	(293,818)
Dividend paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(123,820)	(123,820)
<b>Transactions with owners</b>	<b>-</b>	<b>(293,818)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,846</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(257,972)</b>	<b>(132,598)</b>	<b>(390,570)</b>
<b>Proposed interim dividend</b>	<b>-</b>	<b>261,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(261,172)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit for the period	-	-	-	-	-	-	-	-	-	-	970,357	970,357	540,059	1,510,416
Other comprehensive (loss)/income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in fair value of financial assets at fair value through other comprehensive income (note 14(ii))	-	-	-	-	-	-	-	-	(39,802)	-	-	(39,802)	-	(39,802)
- Currency translation	-	-	-	-	-	(1,273,522)	-	-	-	-	-	(1,273,522)	(424,869)	(1,698,391)
- Share of other comprehensive income of an associate	-	-	-	-	-	-	-	12,377	-	-	-	12,377	-	12,377
- Recycling of currency translation differences upon disposal of a subsidiary	-	-	-	-	-	12	-	-	-	-	-	12	-	12
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,273,510)</b>	<b>-</b>	<b>12,377</b>	<b>(39,802)</b>	<b>-</b>	<b>970,357</b>	<b>(330,578)</b>	<b>115,190</b>	<b>(215,388)</b>
<b>Balance at 30 September 2022 (unaudited)</b>	<b>16,323</b>	<b>261,172</b>	<b>281,716</b>	<b>3,304</b>	<b>32,373</b>	<b>(196,237)</b>	<b>96,808</b>	<b>(29,826)</b>	<b>(6,977)</b>	<b>1,123,518</b>	<b>10,798,088</b>	<b>12,380,662</b>	<b>7,496,124</b>	<b>19,876,786</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Equity attributable to owners of the Company														
	Share capital	Proposed dividend	Share premium	Convertible bonds equity reserve	Capital redemption reserve	Contributed surplus	Exchange fluctuation reserve	Share options	Other reserves	Financial assets at fair value through other comprehensive income revaluation reserve	Statutory reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 April 2021</b>	<b>15,849</b>	<b>253,584</b>	<b>-</b>	<b>282,190</b>	<b>3,304</b>	<b>32,373</b>	<b>122,854</b>	<b>96,808</b>	<b>(231,083)</b>	<b>55,259</b>	<b>851,030</b>	<b>9,030,395</b>	<b>10,512,543</b>	<b>6,437,485</b>	<b>16,950,028</b>
Shares issued in respect of conversion of convertible bonds (note 21)	474	-	281,716	(282,190)	-	-	-	-	-	-	-	-	-	-	-
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	106,887	106,887
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	12,832	-	-	-	12,832	(104,239)	(91,407)
Disposal/ deemed disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	(12,227)	-	-	-	(12,227)	104,978	92,751
Derecognition of a subsidiary	-	-	-	-	-	-	-	-	(22)	-	-	-	(22)	-	(22)
Capital contribution by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	13,940	13,940
Final dividend approved	-	(253,584)	-	-	-	-	-	-	-	-	-	(7,587)	(261,171)	-	(261,171)
Dividend paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(245,068)	(245,068)
<b>Transactions with owners</b>	<b>474</b>	<b>(253,584)</b>	<b>281,716</b>	<b>(282,190)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>583</b>	<b>-</b>	<b>-</b>	<b>(7,587)</b>	<b>(260,588)</b>	<b>(123,502)</b>	<b>(384,090)</b>
<b>Proposed interim dividend</b>	<b>-</b>	<b>261,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(261,172)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,019,696	1,019,696	559,081	1,578,777
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in fair value of financial assets at fair value through other comprehensive income (note 14(f))	-	-	-	-	-	-	-	-	-	57,719	-	-	57,719	-	57,719
- Currency translation	-	-	-	-	-	-	460,820	-	-	-	-	-	460,820	144,888	605,708
- Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	-	4,260	(23,025)	-	-	(18,765)	-	(18,765)
- Recycling of currency translation differences upon derecognition of a subsidiary	-	-	-	-	-	-	441	-	-	-	-	-	441	-	441
- Recycling of reserves upon derecognition of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,032)	-	(1,032)	-	(1,032)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>461,261</b>	<b>-</b>	<b>4,260</b>	<b>34,694</b>	<b>(1,032)</b>	<b>1,019,696</b>	<b>1,518,879</b>	<b>703,969</b>	<b>2,222,848</b>
<b>Balance at 30 September 2021 (unaudited)</b>	<b>16,323</b>	<b>261,172</b>	<b>281,716</b>	<b>-</b>	<b>3,304</b>	<b>32,373</b>	<b>584,095</b>	<b>96,808</b>	<b>(226,240)</b>	<b>89,953</b>	<b>849,998</b>	<b>9,781,332</b>	<b>11,770,834</b>	<b>7,017,852</b>	<b>18,788,786</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 September 2022, the Group’s current liabilities exceeded its current assets by HK\$3,787,548,000 (31 March 2022: 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 internal financial resources, available loan facilities and new loan facilities currently under negotiation. The Group therefore continues to adopt the going concern basis in preparing its 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 2022 except for the adoption of the new standards and amendments to HKFRSs issued by the HKICPA that have become effective for accounting period beginning on 1 April 2022.

In the current interim period, the Group has applied the following new standard and amendments to HKFRSs issued by HKICPA:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020

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. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2022.

### 4. Financial risk management and fair value measurements

#### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2022.

There have been no changes in the risk management policies since year ended 31 March 2022.

#### 4.2 Fair value estimation

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets that are measured at fair value at 30 September 2022:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through other comprehensive income	2,320	–	423,664	425,984
Financial assets at fair value through profit or loss	–	–	1,046,015	1,046,015
Net fair values (unaudited)	<u>2,320</u>	<u>–</u>	<u>1,469,679</u>	<u>1,471,999</u>

The following table presents the Group's financial assets that are measured at fair value at 31 March 2022:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through other comprehensive income	4,444	–	392,244	396,688
Financial assets at fair value through profit or loss	–	–	1,149,409	1,149,409
Net fair values (audited)	<u>4,444</u>	<u>–</u>	<u>1,541,653</u>	<u>1,546,097</u>

There have been no significant transfers between the levels in the reporting periods.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

#### 4.3 Information about Level 3 fair value measurement

The fair value of financial assets at fair value through other comprehensive income was valued by APAC Appraisal and Consulting Limited, an independent firm of professional valuer, or by the Group. The Group used market approach to determine its fair value.

Financial assets at fair value through profit or loss mainly comprise wealth management products and structured deposits with various licensed banks in the People's Republic of China (the "PRC"). The Group mainly used income method of discounted cash flows to determine its fair value.

The movements during the period/year in the balance of these Level 3 fair value measurements are as follows:

	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
<b>Financial assets at fair value through other comprehensive income:</b>		
Opening balance	<b>392,244</b>	369,101
Changes in fair value recognised in other comprehensive income	<b>(3,268)</b>	3,704
Acquisition of subsidiaries	–	1,234
Additions	<b>75,563</b>	–
Disposal/deregistration	<b>(18,070)</b>	(23)
Exchange realignment	<b>(22,805)</b>	18,228
Ending balance	<b><u>423,664</u></b>	<u>392,244</u>
<b>Financial assets at fair value through profit or loss:</b>		
Opening balance	<b>1,149,409</b>	1,035,098
Net (disposal)/purchase and changes in fair value of financial assets at fair value through profit or loss	<b>(103,394)</b>	114,311
Ending balance	<b><u>1,046,015</u></b>	<u>1,149,409</u>

## 5. 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:

	<b>Six months ended 30 September</b>	
	<b>2022 (unaudited) HK\$'000</b>	2021 (unaudited) HK\$'000
<b>Revenue:</b>		
Water supply operation services	<b>1,688,473</b>	1,642,254
Water supply connection income	<b>997,330</b>	1,052,154
Water supply construction services	<b>1,981,233</b>	2,120,025
Direct drinking water operation services	<b>87,307</b>	38,049
Direct drinking water connection income	<b>45,568</b>	23,483
Direct drinking water construction services	<b>273,140</b>	177,399
Sewage treatment and drainage operation services	<b>206,737</b>	182,403
Sewage treatment and water environmental renovation construction services	<b>454,815</b>	373,479
Sales of properties	<b>360,697</b>	368,481
Sales of goods	<b>438,185</b>	271,097
Hotel and rental income	<b>49,728</b>	54,198
Finance income	<b>20,987</b>	21,379
Handling income	<b>19,284</b>	19,668
Others	<b>161,722</b>	128,722
Total	<b><u>6,785,206</u></b>	<u>6,472,791</u>
<b>Other income:</b>		
Interest income	<b>82,796</b>	62,308
Government grants and subsidies*	<b>134,047</b>	110,132
Amortisation of deferred government grants	<b>5,386</b>	5,005
Gain on disposal of property, plant and equipment, net	<b>–</b>	3,317
Gain on disposal of other intangible assets, net	<b>9,622</b>	–
Dividend income from financial assets	<b>7,574</b>	4,281
Miscellaneous income	<b>13,454</b>	27,399
Total	<b><u>252,879</u></b>	<u>212,442</u>

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

## 6. Segment information

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".

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that finance costs, share of results of associates, corporate income, corporate expense, income tax expense and gain/(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.

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 2022

	City water supply operation and construction (unaudited) HK\$'000	Environmental protection (unaudited) HK\$'000	Property development and investment (unaudited) HK\$'000	All other segments (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>Revenue</b>					
From external customers	5,152,787	728,987	373,356	530,076	6,785,206
From inter-segment	-	-	-	-	-
<b>Segment revenue</b>	<u>5,152,787</u>	<u>728,987</u>	<u>373,356</u>	<u>530,076</u>	<u>6,785,206</u>
<b>Segment profit/(loss)</b>	<u>1,913,546</u>	<u>251,229</u>	<u>56,212</u>	<u>(15,659)</u>	2,205,328
Unallocated corporate income					93,862
Unallocated corporate expense					(148,888)
Gain on deregistration or disposal of subsidiaries, net					675
Finance costs					(270,684)
Share of results of associates	55,953	68,540	-	1,752	126,245
Profit before income tax					2,006,538
Income tax expense					(496,122)
<b>Profit for the period</b>					<u>1,510,416</u>
<b>Total segment assets</b>	<u>33,481,848</u>	<u>4,518,302</u>	<u>4,053,685</u>	<u>3,151,877</u>	<u>45,205,712</u>

For the period ended 30 September 2021

	City water supply operation and construction (unaudited) HK\$'000	Environmental protection (unaudited) HK\$'000	Property development and investment (unaudited) HK\$'000	All other segments (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>Revenue</b>					
From external customers	5,145,701	596,075	386,482	344,533	6,472,791
From inter-segment	-	-	-	-	-
<b>Segment revenue</b>	<u>5,145,701</u>	<u>596,075</u>	<u>386,482</u>	<u>344,533</u>	<u>6,472,791</u>
<b>Segment profit/(loss)</b>	<u>1,927,368</u>	<u>188,648</u>	<u>91,082</u>	<u>(6,878)</u>	2,200,220
Unallocated corporate income					70,679
Unallocated corporate expense					(93,733)
Loss on deregistration of a subsidiary					(7,384)
Finance costs					(200,811)
Share of results of associates	37,598	83,066	-	1,730	122,394
Profit before income tax					2,091,365
Income tax expense					(512,588)
<b>Profit for the period</b>					<u>1,578,777</u>
<b>Total segment assets</b>	<u>30,752,290</u>	<u>4,024,751</u>	<u>4,163,024</u>	<u>3,178,938</u>	<u>42,119,003</u>

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

**7. Operating profit**

Operating profit is arrived at after charging:

	<b>Six months ended 30 September</b>	
	<b>2022 (unaudited) HK\$'000</b>	2021 (unaudited) HK\$'000
Depreciation of property, plant and equipment	<b>77,259</b>	58,800
Depreciation of right-of-use assets	<b>35,167</b>	34,797
Amortisation of other intangible assets	<b>382,538</b>	345,425

**8. Finance costs**

	<b>Six months ended 30 September</b>	
	<b>2022 (unaudited) HK\$'000</b>	2021 (unaudited) HK\$'000
Interest on bank loans	<b>399,008</b>	298,626
Interest on other loans	<b>112,276</b>	130,234
Interest on lease liabilities	<b>8,856</b>	9,122
Total borrowing costs	<b>520,140</b>	437,982
Less: interest capitalised included in property, plant and equipment, investment properties, other intangible assets and properties under development	<b>(249,456)</b>	(237,171)
	<b>270,684</b>	200,811

## 9. 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 (2021: Nil). Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

	<b>Six months ended 30 September</b>	
	<b>2022 (unaudited) HK\$'000</b>	2021 (unaudited) HK\$'000
Current income tax:		
– the PRC ( <i>note</i> )	<b>431,929</b>	440,533
Deferred tax	<b>64,193</b>	72,055
Total income tax expense	<b>496,122</b>	512,588

*Note:* The provision for PRC current income tax is based on a statutory income tax rate of 25% (2021: 25%) of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries operating in the PRC enjoy a preferential income tax rate of 5% to 15% (2021: 5% to 15%) of their assessable income.

## 10. Earnings per share for profit attributable to owners of the Company

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$970,357,000 (2021: HK\$1,019,696,000) and the weighted average of 1,632,322,000 (2021: 1,603,041,000) ordinary shares in issue during the period.

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding during the financial period ended 30 September 2022.

For the financial period ended 30 September 2021, the calculation of diluted earnings per share was based on the profit for the period attributable to owners of the Company of HK\$1,019,696,000 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 period, being the weighted average number of ordinary shares of 1,603,041,000 used in basic earnings per share calculation and adjusted for the effect of deemed exercise or conversion of convertible bonds existing during the period of 29,281,000 ordinary shares.

**11. Dividend**

Dividend attributable to the interim period:

	<b>Six months ended 30 September</b>	
	<b>2022 (unaudited) HK\$'000</b>	2021 (unaudited) HK\$'000
Interim dividend		
– HK\$0.16 (2021: HK\$0.16) per ordinary share	<b>261,172</b>	261,172

The interim dividend proposed after the reporting date for the financial period ended 30 September 2022 and 2021 were not recognised as a liability at the reporting date.

**12. Property, plant and equipment, right-of-use assets and other intangible assets**

During the six months ended 30 September 2022, the addition in property, plant and equipment amounted to HK\$177,727,000 (31 March 2022: HK\$256,257,000); right-of-use assets amounted to HK\$16,129,000 (31 March 2022: HK\$53,121,000); and other intangible assets amounted to HK\$2,056,779,000 (31 March 2022: HK\$4,236,657,000).

**13. Investment in associates**

The movement of the carrying amount of investment in associates for the six months ended 30 September 2022 was as follows:

	<b>Six months ended 30 September</b>	
	<b>2022 (unaudited) HK\$'000</b>	
Opening balance	<b>2,743,534</b>	
Disposals	<b>(357,925)</b>	
Share of profit	<b>126,245</b>	
Share of other comprehensive income	<b>12,377</b>	
Dividend paid	<b>(27,624)</b>	
Exchange realignment	<b>(136,180)</b>	
Ending balance	<b>2,360,427</b>	

#### 14. Financial assets at fair value through other comprehensive income

(i) *Equity investments at fair value through other comprehensive income*

	Original currency	As at	
		30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
Listed equity securities in Hong Kong	HK\$	2,320	4,444
Unlisted equity securities outside Hong Kong	RMB	347,881	392,244
Listed debentures outside Hong Kong	USD	75,783	–
		<b>425,984</b>	<b>396,688</b>

(ii) *Amount recognised in consolidated income statement and other comprehensive income*

During the period, the following gain/(loss) was recognised in profit or loss and other comprehensive income.

	Six months ended 30 September	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Change in fair value of financial assets at fair value through other comprehensive income	(39,802)	57,719
Dividend income from financial assets (note 5)	7,574	4,281

**15. Trade and bills receivables**

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

	<b>As at</b>	
	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
0 to 90 days	<b>919,101</b>	877,487
91 to 180 days	<b>190,316</b>	150,260
Over 180 days	<b>593,054</b>	533,903
	<b><u>1,702,471</u></b>	<u>1,561,650</u>

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 transactions.

As at 30 September 2022, the trade and bills receivables with a carrying amount of HK\$34,381,000 (31 March 2022: HK\$Nil) were pledged to secure banking facilities granted to the Group.

**16. Prepayments, deposits and other receivables**

		<b>As at</b>	
	<i>Notes</i>	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
<b>Non-current</b>			
Prepayments and other receivables	(i)	<b><u>763,228</u></b>	<u>806,617</u>
<b>Current</b>			
Prepayments		<b>432,811</b>	402,338
Other receivables	(ii)	<b><u>2,274,383</u></b>	<u>1,982,043</u>
		<b><u>2,707,194</u></b>	<u>2,384,381</u>

Notes:

- (i) The balances mainly represented the prepayments for city water supply and water environmental renovation construction.
- (ii) The balances mainly represented receivables from customers for sewage treatment fees and various municipal service charges on behalf of certain government authorities in the PRC; receivables from certain government authorities for funds advancements; and various other receivables.

The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The directors of the Company consider that the fair values of current portion of deposits and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

**17. Trade and bills payables**

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

	<b>As at</b>	
	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
0 to 90 days	<b>2,637,915</b>	2,467,503
91 to 180 days	<b>738,040</b>	791,483
Over 180 days	<b>1,604,531</b>	1,414,913
	<b><u>4,980,486</u></b>	<u>4,673,899</u>

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

As at 30 September 2022, the bills payables of HK\$468,944,000 (31 March 2022: HK\$449,774,000) were secured by the pledged bank deposits of HK\$377,589,000 (31 March 2022: HK\$357,960,000).

**18. Accrued liabilities, deposits received and other payables**

	<b>As at</b>	
	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
Accrued liabilities	<b>444,032</b>	494,415
Deposits received	<b>100,230</b>	98,906
Other payables ( <i>note</i> )	<b>2,364,153</b>	2,082,584
	<b><u>2,908,415</u></b>	<u>2,675,905</u>

*Note:* Other payables mainly included sewage treatment fees and various municipal service charges received on behalf of certain government authorities in the PRC of HK\$578,746,000 (31 March 2022: HK\$565,400,000), payables for other PRC tax surcharges and construction costs, and payables for the Company's final dividend of HK\$293,818,000 (31 March 2022: HK\$Nil).

## 19. Borrowings

	Original currency	As at	
		30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
<b>Current</b>			
Bank loans – unsecured	RMB	1,458,599	1,072,349
Bank loans – secured	RMB	1,600,786	1,641,831
Bank loans – unsecured	USD	5,044,835	4,397,332
Bank loans – unsecured	HK\$	350,000	350,000
Other loans – secured	RMB	205,738	82,874
Other loans – secured	USD	91,764	91,764
Government loans – unsecured	RMB	49,507	55,945
		<b>8,801,229</b>	7,692,095
<b>Non-current</b>			
Bank loans – unsecured	RMB	947,291	1,001,053
Bank loans – secured	RMB	4,847,300	5,207,093
Bank loans – unsecured	USD	3,300,549	3,954,243
Bank loans – unsecured	HK\$	448,292	447,875
Other loans – unsecured	RMB	88,946	94,436
Other loans – unsecured	USD	2,634,797	2,624,201
Other loans – secured	RMB	644,070	209,267
Other loans – secured	USD	488,314	532,796
Government loans – unsecured	RMB	76,240	100,452
		<b>13,475,799</b>	14,171,416
		<b>22,277,028</b>	21,863,511

**20. Pledge of assets**

Details of the pledge of assets of the Group for securing certain loan facilities and bills payables at 30 September 2022 were as follows:

- (a) pledge of water and sewage treatment revenue of certain subsidiaries;
- (b) charges over shares of certain subsidiaries of the Group;
- (c) charges over property, plant and equipment in which their aggregate carrying amount as at 30 September 2022 was HK\$1,315,996,000 (31 March 2022: HK\$133,528,000);
- (d) charges over right-of-use assets in which their aggregate carrying amount as at 30 September 2022 was HK\$358,091,000 (31 March 2022: HK\$380,064,000);
- (e) charges over investment properties in which their aggregate carrying amount as at 30 September 2022 was HK\$1,237,695,000 (31 March 2022: HK\$1,305,190,000);
- (f) charges over other intangible assets in which their aggregate carrying amount as at 30 September 2022 was HK\$1,993,966,000 (31 March 2022: HK\$2,091,205,000);
- (g) charges over properties held for sale in which their aggregate carrying amount as at 30 September 2022 was HK\$78,568,000 (31 March 2022: HK\$83,418,000);
- (h) charges over the financial assets at fair value through other comprehensive income in which their aggregate carrying amount as at 30 September 2022 was HK\$243,023,000 (31 March 2022: HK\$261,728,000);
- (i) charges over trade and bills receivables in which their aggregate carrying amount as at 30 September 2022 was HK\$34,381,000 (31 March 2022: HK\$Nil); and
- (j) charges over the Group's bank deposits in amount of HK\$577,799,000 as at 30 September 2022 (31 March 2022: HK\$506,350,000).

**21. Share capital**

	<b>Number of shares</b> '000	<b>Par value</b> HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 30 September 2022 and 31 March 2022	<u>20,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
<b>At 31 March 2021 (audited)</b>	<b>1,584,903</b>	<b>15,849</b>
Shares issued in respect of conversion of convertible bonds ( <i>note</i> )	<u>47,419</u>	<u>474</u>
<b>At 31 March 2022 (audited) and at 30 September 2022 (unaudited)</b>	<b><u>1,632,322</u></b>	<b><u>16,323</u></b>

*Note:* During the six months ended 30 September 2021, approximately 47,419,000 shares were issued in respect of conversion of convertible bonds at HK\$7.62 per ordinary share of the Company.

## 22. Related party transactions

In addition to the transactions and balances disclosed elsewhere in this interim report, the Group had the following material related party transactions during the interim period:

(a) *Compensation of key management personnel of the Group:*

	<b>Six months ended 30 September</b>	
	<b>2022 (unaudited) HK\$'000</b>	2021 (unaudited) HK\$'000
Total remuneration of directors and other members of key management during the period		
– Short term employee benefits	<b>39,616</b>	36,186
– Retirement scheme contribution	<b>312</b>	313
	<b><u>39,928</u></b>	<u>36,499</u>

(b) *Sales to an associate:*

	<b>Six months ended 30 September</b>	
	<b>2022 (unaudited) HK\$'000</b>	2021 (unaudited) HK\$'000
Sales to an associate	<b><u>172,712</u></b>	<u>48,276</u>

The Group provided construction services of approximately HK\$172,712,000 (2021: HK\$48,276,000) to subsidiaries of Kangda International Environmental Company Limited, an associate of the Group. The services were made with reference to the terms negotiated between both parties.

## 23. Commitments

### (i) Capital commitments

At the reporting date, the Group had the following capital commitments:

	<b>As at</b>	
	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
Contracted, but not provided for		
– Other intangible assets	<b>181,466</b>	450,807
– Property, plant and equipment	<b>9,599</b>	10,873
	<b>191,065</b>	461,680

### (ii) Operating lease arrangement

The Group leases its investment properties under operating lease arrangements for terms ranging from one to twenty years. Certain leases contain an option to renew the lease and renegotiate the terms at the expiry dates or at dates mutually agreed between the Group and the lessees. None of the leases include contingent rentals.

At the reporting date, the Group had total future minimum lease receipts under non-cancellable operating leases falling due as follows:

	<b>As at</b>	
	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
Within one year	<b>21,245</b>	24,196
In the second to fifth years, inclusive	<b>32,074</b>	38,754
After five years	<b>5,495</b>	507
	<b>58,814</b>	63,457

## 24. Contingent liabilities

At the reporting date, the Group had no material contingent liabilities.

## **BUSINESS REVIEW, CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK\$0.16 per ordinary share (2021: HK\$0.16 per ordinary share) for the six months ended 30 September 2022. The interim dividend is expected to be paid on or about Monday, 3 April 2023 to the shareholders whose names appear on the register of members on Wednesday, 22 February 2023.

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

The register of members of the Company will be closed from Monday, 20 February 2023 to Wednesday, 22 February 2023 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the interim dividend for the six months ended 30 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Friday, 17 February 2023.

### **BUSINESS REVIEW**

The Group's total revenue continuously increased from HK\$6,472.8 million for the six months ended 30 September 2021 to HK\$6,785.2 million for the six months ended 30 September 2022, representing a steady increase of 4.8%. The Group continued its strategy to focus on core business. For the period 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\$5,741.8 million to HK\$5,881.8 million. This represented a steady and continuous growth of segments revenue by 2.4%, which was mainly attributable to the successful strategies of the Group through implementation of the urban-rural water supply integration and supply-drainage integration and active development in pipeline direct drinking water business.

**(i) Water Supply Business Analysis**

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

For the period under review, the revenue from city water supply operation and construction segment amounted to HK\$5,152.8 million (2021: HK\$5,145.7 million), representing a steady increase of 0.1% as compared with the last corresponding period. The water supply segment profit (including city water supply, water related connection works and construction services) amounted to HK\$1,913.5 million (2021: HK\$1,927.4 million), representing a slight decrease of 0.7% as compared with the last corresponding period. The increase in revenue was driven by the increase in volume of water sold and the increased contribution from the direct drinking water business during the period.

**(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, 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\$729.0 million (2021: HK\$596.1 million), representing a sharp increase of 22.3% as compared with the last corresponding period. 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\$251.2 million (2021: HK\$188.6 million), representing a significant increase of 33.2% as compared with the last corresponding period. 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 period.

**(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 period under review, the revenue from the property business segment amounted to HK\$373.4 million (2021: HK\$386.5 million). The total property business segment profit amounted to HK\$56.2 million (2021: HK\$91.1 million), representing a significant decrease of 38.3% as compared with the last corresponding period. This was mainly due to the decrease of profit margin in sales of property projects in current period.

For the period under review, the share of results of 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"), amounted to HK\$66.9 million (2021: HK\$81.2 million).

## PROSPECTS

During the first half of the financial year ending 2023, the external conditions of international geopolitics and the global economy were tough and complex, under which overseas interest rates have been hiked. Coupled with several factors such as the resurgence of the COVID-19 pandemic in various regions and the material adjustment of the property sector in the Mainland, social and production activities were subject to enormous challenges. However, by our predominant engagement in utility business with water supply service as its core, which demonstrated counter-cyclical “resilience”, the Group managed to secure strong and stable performance and was honoured with the “Water Resilience” award by the Asian Development Bank (ADB) during the period.

Looking forward, with the successful conclusion of the 20th National Congress of the Chinese Communist Party, the general direction of the country's efforts to stabilise the macroeconomy and support the development of the real economy was defined. Recently, the National Health Commission promulgated “20 Measures for Optimising COVID-19 Response”, setting fundamentals for a more scientific and precise balance between pandemic response and economic and social development, which is conducive to the orderly recovery of the market and the resume of rapid economic development. In addition, the National Development and Reform Commission issued its latest “Opinions on Enhancing Support for the Development of Private Investment” (document no. 1652), which emphasises the need to support private enterprises in investing in the infrastructure sector by carrying out mixed-ownership reforms and introducing strategic investors and professional operators and managers. These favourable factors arising from the macro policy environment will provide opportunities for the Group's strategic implementation of the urban-rural water supply integration and supply-drainage integration. The Group will adhere to the philosophy of “Water-oriented, Kindness to Society”, and position itself around the dual-core businesses of water supply and pipeline direct drinking water with a focus on operational status, thereby replacing “capital” growth with “operational” growth of high quality. With an aim to explore further business growth points and enhance operational efficiency and synergies, the Company has introduced intelligent water services and new pipeline direct drinking water in our traditional utility businesses by adopting high technology and innovative business models. While strengthening our core competitiveness, the Company will attain sustainable and high-quality development, contributing to the improvement of people's livelihoods and creating higher returns for shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2022, the Group maintained a satisfactory liquidity level. As at 30 September 2022, the Group has total cash and cash equivalents and pledged deposits of approximately HK\$6,880.6 million (31 March 2022: HK\$6,529.2 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 65.3% (31 March 2022: 64.1%) as at 30 September 2022.

As at 30 September 2022, the Group's current liabilities exceeded its current assets by HK\$3,787.5 million (31 March 2022: net current liabilities of HK\$2,749.5 million). It was mainly due to maturity of the outstanding principal amount of two syndicated bank loans amounting to US\$280 million (approximately HK\$2,184 million) within one year. In the opinion of the directors of the Company, after taken into account the internal financial resources, available loan facilities and new loan facilities currently under negotiation, the Group will have sufficient working capital to meet its financial obligation in full as they fall due in the foreseeable future.

As at 30 September 2022, the Group's aggregate outstanding borrowings amounted to HK\$22,277.0 million (31 March 2022: HK\$21,863.5 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. 71.5% of such outstanding borrowings was arranged on floating rate basis and the balance of 28.5% was at fixed rate basis. According to the repayment schedule, HK\$8,801.2 million was repayable within one year and the balance of HK\$13,475.8 million was repayable after one year. As at 30 September 2022, the total unutilised loan facilities available to the Group amounted to HK\$1,260.0 million (31 March 2022: HK\$1,680.7 million).

On 3 November 2022, the Company, as guarantor, and Silver Dragon Water Supply Group Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facilities agreement in respect of the five-year tenor US\$250,000,000 equivalent syndicated loan facilities with a greenshoe option of up to US\$250,000,000 equivalent.

The amount borrowed is expected to be applied for the early prepayment of certain existing bank facilities of the Company. This advance optimisation of debt structure by means of refinancing outstanding loans repayable within one year with long-term loans will remarkably enhance the Group's liquidity position.

## HUMAN RESOURCES

As at 30 September 2022, the Group has employed approximately 11,200 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 2022, no option was granted by the Company pursuant to the share option scheme.

## 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 would 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. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk. The Group manages foreign currency risk by closely monitoring the proportion of its non-Renminbi borrowings.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

At 30 September 2022, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

### Shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Duan Chuan Liang (Notes (i)&(ii))	Corporate and personal	471,036,301	–	28.86%
Ms. Ding Bin	Personal	5,700,000	–	0.35%
Ms. Liu Yu Jie	Personal	12,000,000	–	0.74%
Mr. Li Zhong (Notes (iii)&(iv))	Personal	37,627,457	–	2.31%
Mr. Zhao Hai Hu	Personal	4,306,000	–	0.26%
Ms. Wang Xiaoqin	Personal	8,950,000	–	0.55%
Ms. Ho Ping	Personal	978,000	–	0.06%

### Shares of Kangda International, an associated corporation of the Company

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in Kangda International
		Long position	Short position	
Mr. Li Zhong	Personal	10,000,000	–	0.47%
Ms. Liu Yu Jie	Personal	10,000,000	–	0.47%
Mr. Duan Jerry Linnan	Personal	10,000,000	–	0.47%
Mr. Chau Kam Wing	Personal	2,000,000	–	0.09%

*Notes:*

- (i) These 471,036,301 shares consist of 218,044,301 shares held by Asset Full Resources Limited ("AFRL"), which is wholly and beneficially owned by Mr. Duan Chuan Liang, and 252,992,000 shares held by Mr. Duan Chuan Liang personally.
- (ii) Mr. Duan Chuan Liang and AFRL are also interested in USD8,265,000 senior notes of the Company due 2026.
- (iii) These 37,627,457 shares consist of 8,420,000 shares held by Mr. Li Zhong and 29,207,457 shares held by his spouse, Ms. Lu Hai personally.
- (iv) Mr. Li Zhong is also interested in 0.64% equity interest in Shenzhen Gold Tact Environmental Holdings Co. Ltd (a non-wholly owned subsidiary of the Company) through Total Happy Investment Limited, his controlled corporation.

Other than as disclosed above, none of the directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO including interests or short positions which the directors and the chief executives were taken or deemed to have under the provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2022, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name of shareholder	Capacity/ Nature of interest	Number of shares			Approximate percentage of shareholding in the Company		
		Long position	Short position	Lending pool	Long position	Short position	Lending pool
Duan Chuan Liang	Beneficial	471,036,301	-	-	28.86%	-	-
Asset Full Resources Limited (Note)	Beneficial	218,044,301	-	-	13.36%	-	-
ORIX Corporation	Beneficial	291,170,277	-	-	17.84%	-	-

*Note:* These shares are beneficially owned by AFRL, a company incorporated in the British Virgin Islands, whose entire issued capital is wholly and beneficially owned by Mr. Duan Chuan Liang, the Chairman and executive director of the Company.

Save as disclosed above, as at 30 September 2022, so far as is known to any director or chief executive of the Company, no person (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## 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 2022, the Company has complied with all the applicable provisions of the Corporate Governance Code ("CG 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 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 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 9 September 2022 due to their other business commitments.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the 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 six months ended 30 September 2022 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 2022, the Company purchased an aggregate principal amount of US\$12,000,000 of the US\$350,000,000 4.85% senior notes due May 2026 (listed on the Singapore Exchange Securities Trading Limited) by private arrangement at an aggregate consideration of approximately US\$9,840,000.

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

The Audit Committee which comprises the five 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 2022 with the directors.

On behalf of the Board

**China Water Affairs Group Limited**

**Duan Chuan Liang**

*Chairman*

Hong Kong, 30 November 2022

*As at the date of this report, 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.*