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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 2025**

**UNAUDITED FINANCIAL HIGHLIGHT FOR THE SIX MONTHS ENDED
30 SEPTEMBER**

		2025 <i>HK\$ million</i>	2024 <i>HK\$ million</i>	Changes % <i>Note (1)</i>
Revenue	Total	5,183.3	5,952.6	(12.9)
	Pipeline direct drinking water supply operations and pipeline direct drinking water supply installation and maintenance services	192.2	218.3	(12.0)
	Pipeline direct drinking water supply construction services	52.9	132.9	(60.2)
	City water supply operations and city water supply installation and maintenance services	2,357.5	2,503.3	(5.8)
	City water supply construction services	1,163.8	1,619.8	(28.2)
	Sewage treatment and drainage operations services	360.6	315.0	14.5
	Sewage treatment and water environmental renovation construction services	489.5	412.9	18.6
Segment profit	Pipeline direct drinking water supply	74.6	166.6	(55.2)
	City water supply	941.3	1,139.8	(17.4)
	Environmental protection	366.6	282.7	29.7
EBITDA (<i>Note (2)</i>)		2,155.4	2,647.0	(18.6)
Profit for the period attributable to owners of the Company		571.3	755.6	(24.4)
Earnings per share – Basic		HK35.12 cents	HK46.29 cents	(24.1)
Interim dividend per share		HK13 cents	HK13 cents	–

Notes: (1) The average exchange rate of Renminbi to Hong Kong Dollar adopted by the Group for financial reporting purpose remained stable 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 2025, together with the comparative figures for the corresponding period in 2024, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2025	2024
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	5,183,257	5,952,633
Cost of sales		<u>(3,356,256)</u>	<u>(3,666,403)</u>
Gross profit		1,827,001	2,286,230
Other income, net	3	228,645	212,984
Selling and distribution costs		(73,132)	(83,294)
Administrative expenses		(363,828)	(396,786)
Expected credit loss on trade receivables		<u>(10,000)</u>	<u>—</u>
Operating profit	5	1,608,686	2,019,134
Finance costs	6	(351,945)	(427,334)
Share of results of associates		<u>(38,863)</u>	<u>45,441</u>
Profit before income tax		1,217,878	1,637,241
Income tax expense	7	<u>(262,317)</u>	<u>(399,240)</u>
Profit for the period		<u>955,561</u>	<u>1,238,001</u>

		Six months ended	
		30 September	
		2025	2024
		(unaudited)	(unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:			
Owners of the Company		571,251	755,649
Non-controlling interests		384,310	482,352
		<u>955,561</u>	<u>1,238,001</u>
Earnings per share for profit attributable to			
owners of the Company during the period	8	<i>HK cents</i>	<i>HK cents</i>
Basic		<u>35.12</u>	<u>46.29</u>
Diluted		<u>35.12</u>	<u>46.29</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2025	2024
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	955,561	1,238,001
Other comprehensive income/(loss)		
<i>Items that have been or may be reclassified subsequently to profit or loss:</i>		
– Fair value changes on derivative financial instruments	(21,172)	–
– Currency translation	342,774	326,997
– Recycling of currency translation differences upon disposal or deregistration of subsidiaries	405	–
<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	3,479	5,685
– Share of other comprehensive income of an associate	2,486	3,421
Other comprehensive income for the period, net of tax	327,972	336,103
Total comprehensive income for the period	1,283,533	1,574,104
Total comprehensive income attributable to:		
Owners of the Company	807,660	998,506
Non-controlling interests	475,873	575,598
	1,283,533	1,574,104

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
	30 September	31 March
	2025	2025
	(unaudited)	(audited)
Notes	HK\$'000	HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	2,643,253	2,532,627
Right-of-use assets	1,360,813	1,332,683
Investment properties	1,473,109	1,457,690
Investment in associates	2,250,092	2,266,806
Financial assets at fair value through other comprehensive income	359,151	361,214
Goodwill	1,372,042	1,362,565
Other intangible assets	35,254,012	34,155,770
Prepayments, deposits and other receivables	661,275	679,244
Contract assets	2,488,047	2,080,110
Receivables under service concession arrangements	2,050,672	2,043,187
	49,912,466	48,271,896
Current assets		
Properties under development	633,175	610,162
Properties held for sale	1,329,597	1,328,890
Inventories	759,310	672,520
Contract assets	3,007,491	2,936,615
Receivables under service concession arrangements	155,446	151,464
Trade and bills receivables	10 3,032,874	2,527,194
Financial assets at fair value through profit or loss	315,385	5,435
Amounts due from non-controlling equity holders of subsidiaries	395,616	394,652
Amounts due from associates	868,747	1,118,031
Prepayments, deposits and other receivables	2,872,647	2,424,756
Pledged deposits	501,811	678,233
Cash and cash equivalents	4,042,256	4,771,795
	17,914,355	17,619,747

		As at	
		30 September	31 March
		2025	2025
		(unaudited)	(audited)
	Notes	HK\$'000	HK\$'000
Current liabilities			
Lease liabilities		47,558	47,059
Contract liabilities		906,005	854,323
Trade and bills payables	11	8,415,539	8,087,089
Accrued liabilities, deposits received and other payables		2,783,021	2,995,083
Amounts due to associates		27,774	29,995
Borrowings		8,045,366	5,735,988
Amounts due to non-controlling equity holders of subsidiaries		236,224	212,917
Provision for tax		3,426,911	3,446,970
		<u>23,888,398</u>	<u>21,409,424</u>
Net current liabilities		<u>(5,974,043)</u>	<u>(3,789,677)</u>
Total assets less current liabilities		<u>43,938,423</u>	<u>44,482,219</u>
Non-current liabilities			
Borrowings		16,411,054	19,449,230
Lease liabilities		405,954	408,271
Contract liabilities		257,625	249,810
Amounts due to non-controlling equity holders of subsidiaries		716,534	777,323
Deferred government grants		177,190	180,534
Deferred tax liabilities		1,743,791	1,544,365
		<u>19,712,148</u>	<u>22,609,533</u>
Net assets		<u>24,226,275</u>	<u>21,872,686</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		16,323	16,323
Reserves		13,744,017	13,155,624
		<u>13,760,340</u>	<u>13,171,947</u>
Non-controlling interests		<u>10,465,935</u>	<u>8,700,739</u>
Total equity		<u>24,226,275</u>	<u>21,872,686</u>

Notes:

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2025 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 2025, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 September 2025, the Group’s current liabilities exceeded its current assets by approximately HK\$5,974.0 million (31 March 2025: HK\$3,789.7 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. The Group had unused loan and financing facilities, offers and notes registered principle amount of approximately HK\$13.3 billion as at 30 September 2025 (31 March 2025: HK\$13.4 billion). On 15 October 2025, the Company had contracted with various financial institutions as initial purchasers, in connection with the issue and sale of 5.875% senior notes due 2030 in the aggregate principal amount of US\$150,000,000. 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 2025 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 2025.

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

HKAS 21 (Amendments)	Lack of Exchangeability
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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	
	2025 (unaudited) HK\$'000	2024 (unaudited) HK\$'000
Revenue:		
Point in time		
City water supply operations	1,801,219	1,724,342
Pipeline direct drinking water supply operations	184,902	195,857
Sales of goods	324,632	269,652
Sales of properties	304	241,334
Others	112,487	97,165
	<u>2,423,544</u>	<u>2,528,350</u>
Overtime		
City water supply installation and maintenance services	556,304	778,962
Pipeline direct drinking water supply installation and maintenance services	7,254	22,420
City water supply construction services	1,163,772	1,619,811
Pipeline direct drinking water supply construction services	52,864	132,881
Sewage treatment and drainage operations services	360,613	314,988
Sewage treatment and water environmental renovation construction services	489,500	412,856
Hotel and rental income	41,470	53,841
Finance income	29,376	28,222
Handling income	19,834	20,821
Others	38,726	39,481
	<u>2,759,713</u>	<u>3,424,283</u>
Total	<u><u>5,183,257</u></u>	<u><u>5,952,633</u></u>
Other income, net:		
Interest income	110,267	97,418
Government grants and subsidies	92,006	94,689
Amortisation of deferred government grants	5,302	5,261
Dividend income from financial assets	743	4,520
Gain on disposal or deregistration of subsidiaries, net	1,197	–
Gain on disposal of property, plant and equipment, net	186	234
Gain on disposal of right-of-use assets	–	4,379
(Loss)/gain on disposal of other intangible assets, net	(527)	10
Miscellaneous income, net	19,471	6,473
Total	<u><u>228,645</u></u>	<u><u>212,984</u></u>

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 HKFRSs, except that finance costs, share of results of associates, corporate income, corporate expense, income tax expense and 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 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	<u>3,297,405</u>	<u>266,636</u>	<u>835,676</u>	<u>580,554</u>	<u>16,955</u>	<u>401,651</u>	<u>(215,620)</u>	<u>5,183,257</u>
Segment profit	<u>941,272</u>	<u>74,586</u>	<u>366,574</u>	<u>158,344</u>	<u>464</u>	<u>32,917</u>	<u>-</u>	<u>1,574,157</u>
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								<u>955,561</u>
Total segment assets	<u>38,270,545</u>	<u>4,641,247</u>	<u>7,389,237</u>	<u>3,091,318</u>	<u>3,998,363</u>	<u>1,736,782</u>	<u>-</u>	<u>59,127,492</u>

For the period ended 30 September 2024 (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	3,765,200	367,099	765,620	423,968	252,740	378,006	–	5,952,633
From inter-segment	10,714	1,948	31,485	613,133	–	–	(657,280)	–
Segment revenue	<u>3,775,914</u>	<u>369,047</u>	<u>797,105</u>	<u>1,037,101</u>	<u>252,740</u>	<u>378,006</u>	<u>(657,280)</u>	<u>5,952,633</u>
Segment profit/(loss)	<u>1,139,769</u>	<u>166,552</u>	<u>282,734</u>	<u>398,290</u>	<u>12,899</u>	<u>(3,686)</u>	<u>–</u>	<u>1,996,558</u>
Unallocated corporate income								102,432
Unallocated corporate expense								(79,856)
Finance costs								(427,334)
Share of results of associates	10,869	(223)	34,365	–	–	430	–	45,441
Profit before income tax								1,637,241
Income tax expense								(399,240)
Profit for the period								<u>1,238,001</u>
Total segment assets	<u>35,914,123</u>	<u>4,357,347</u>	<u>6,677,889</u>	<u>2,907,346</u>	<u>4,000,487</u>	<u>3,208,458</u>	<u>–</u>	<u>57,065,650</u>

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	
	2025	2024
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	57,615	81,403
Depreciation of right-of-use assets	41,447	43,699
Amortisation of other intangible assets	486,469	457,362
	<u> </u>	<u> </u>

6. FINANCE COSTS

	Six months ended 30 September	
	2025	2024
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	467,872	562,916
Interest on other loans	173,411	153,492
Interest on amounts due to non-controlling equity holders of subsidiaries	5,037	3,174
Interest on lease liabilities	11,656	12,475
	<u> </u>	<u> </u>
Total borrowing costs	657,976	732,057
Less: interest capitalised included in property, plant and equipment, investment properties, contract assets, other intangible assets and properties under development	(306,031)	(304,723)
	<u> </u>	<u> </u>
	<u>351,945</u>	<u>427,334</u>

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 (2024: Nil). Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

	Six months ended	
	30 September	
	2025	2024
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current income tax		
– the PRC	283,974	372,289
Deferred tax	(21,657)	26,951
Total income tax expense	262,317	399,240

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\$571,251,000 (2024: HK\$755,649,000) and the weighted average of 1,626,786,000 (2024: 1,632,322,000) ordinary shares in issue during the period.

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the financial period ended 30 September 2025 and 2024.

9. DIVIDEND

Dividend attributable to the interim period

	Six months ended	
	30 September	
	2025	2024
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend		
– HK\$0.13 (2024: HK\$0.13) per ordinary share	211,473	212,202

The interim dividends proposed after the reporting date for the financial period ended 30 September 2025 and 2024 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	31 March
	2025	2025
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 to 90 days	1,492,637	1,271,916
91 to 180 days	444,308	312,754
Over 180 days	1,095,929	942,524
	<u>3,032,874</u>	<u>2,527,194</u>

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	31 March
	2025	2025
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 to 90 days	3,426,525	3,954,796
91 to 180 days	1,799,635	1,632,956
Over 180 days	3,189,379	2,499,337
	<u>8,415,539</u>	<u>8,087,089</u>

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\$0.13 per ordinary share (2024: HK\$0.13 per ordinary share) for the six months ended 30 September 2025. The interim dividend is expected to be paid on or about Thursday, 18 June 2026 to the shareholders whose names appear on the register of members on Friday, 29 May 2026.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 27 May 2026 to Friday, 29 May 2026 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 2025, 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, 26 May 2026.

BUSINESS REVIEW

The Group's total revenue decreased from HK\$5,952.6 million for the six months ended 30 September 2024 to HK\$5,183.3 million for the six months ended 30 September 2025, representing a decrease of 12.9%. The Group optimised its development strategy to enhance project management on core business. The Group put more emphasis on the return of projects and allocated resources by prioritising projects with the best return 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\$4,897.9 million to HK\$4,366.4 million. This represented a decrease of segments revenue by 10.9%, which was mainly because of overall decrease in installation and maintenance and construction works in "City water supply" and "Pipeline direct drinking water supply" 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\$3,270.8 million (2024: HK\$3,765.2 million), representing a decrease of 13.1% as compared with the last corresponding period. The city water supply segment profit amounted to HK\$941.3 million (2024: HK\$1,139.8 million), representing a decrease of 17.4% as compared with the last corresponding period. This was mainly because of 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\$263.2 million (2024: HK\$367.1 million), representing a decrease of 28.3% as compared with the last corresponding period. The pipeline direct drinking water supply segment profit amounted to HK\$74.6 million (2024: HK\$166.6 million), representing a decrease of 55.2% as compared with the last corresponding period. This was mainly because of overall decrease in installation and maintenance and construction works 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\$832.4 million (2024: HK\$765.6 million), representing an increase of 8.7% as compared with the last corresponding period. The environmental protection segment profit amounted to HK\$366.6 million (2024: HK\$282.7 million), representing an increase of 29.7% as compared with the last corresponding period. This was mainly attributable to an increase of sewage treatment operation services from sewage treatment projects in current 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\$398.2 million (2024: HK\$424.0 million), representing a decrease of 6.1% as compared with the last corresponding period. The main contractor construction segment profit amounted to HK\$158.3 million (2024: HK\$398.3 million), representing an decrease of 60.2% 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\$17.0 million (2024: HK\$252.7 million). The total property business segment profit amounted to HK\$0.5 million (2024: HK\$12.9 million), representing a decrease of 96.4% as compared with the last corresponding period. This was mainly due to the decrease in sales of property projects in current period.

For the period under review, the overall decrease in the Group's share of results of associates was mainly attributable to the one-off deemed loss on disposal of partial shareholding in 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 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. For the corresponding period under review, the total contribution to the Group by Kangda amounted to HK\$34.3 million, which was share of results of Kangda.

DEEMED DISPOSAL IN RELATION TO THE EQUITY INVESTMENT BY TAIKANG ASSET

On 21 March 2025, the Company, Silver Dragon Water Supply Group Limited (“Silver Dragon”) and Silver Dragon Water Affairs Investments Co., Ltd. (being the “Target Company”) (both of which are wholly-owned subsidiaries of the Company), entered into the equity investment agreement with Taikang Assets Management Co., Ltd. (“Taikang Asset”), pursuant to which, Taikang Asset has conditionally agreed to invest RMB1.5 billion (equivalent to approximately HK\$1.6 billion) into the Target Company by cash, which shall be completed and settled in two tranches of RMB1.3 billion and RMB0.2 billion respectively, in return for the equity interests in the Target Company.

Upon the first completion, the Company (through Silver Dragon) and Taikang Asset will hold approximately 83.95% and 16.05% equity interest in the Target Company, respectively. Upon the second completion, the Company (through Silver Dragon) and Taikang Asset will hold approximately 81.93% and 18.07% equity interest in the Target Company, respectively. On the same day, the Company, Silver Dragon, the Target Company and Taikang Asset also entered into the shareholders’ agreement which sets out the rights and obligations of the parties thereto in relation to the management and operations of the Target Company and shall take effect from the first completion date. Further details of which had been disclosed in the Company’s announcement dated 21 March 2025.

The first completion took place on 15 May 2025 and the Company (through Silver Dragon) and Taikang Asset hold approximately 83.95% and 16.05% equity interest in the Target Company, respectively.

DEEMED DISPOSAL IN RELATION TO THE PARTIAL SHAREHOLDING IN KANGDA

On 11 July 2025, Mr. Duan Chuan Liang (“Mr. Duan”), the chairman, executive director and substantial shareholder of the Company, being the holder of the exchangeable bonds, has served the notice to exchange for 546,728,004 shares, representing approximately 25.55% of the total issued share capital of Kangda. The exchange took place on 21 July 2025 and immediately upon the exchange completion, Mr. Duan and Sharp Profit Investments Limited (“Sharp Profit”), a wholly-owned subsidiary of the Company (which is presumed to be acting in concert with Mr. Duan), became interested in an aggregate of 1,155,718,004 shares of Kangda, representing approximately 54.01% of the total issued share capital of the Kangda. Sharp Profit is interested in approximately 28.46% of the total issued share capital of Kangda as at the date of exchange completion. As a result of the share exchange, Mr. Duan is required to make (or procure to be made on his behalf) a mandatory unconditional cash offer pursuant to Rule 26.1(b) of the Takeovers Code for all the shares (other than those already owned and/or agreed to be acquired by him and Sharp Profit). Mr. Duan and Sharp Profit will jointly make (or procure to be made) the share offer as joint offerors, and allocate the offer shares validly tendered for acceptance in the share offer to be taken up in the proportion of

approximately 93.00% by Mr. Duan and approximately 7.00% by Sharp Profit. Mr. Duan will also be required to make (or procure to be made on his behalf) an appropriate offer to the optionholders for the outstanding share options granted under the share option scheme of Kangda to cancel all the outstanding share options by way of the option offer. Pursuant to the results of the offers closed on 22 September 2025, Sharp Profit's shareholding in Kangda was reduced from 28.46% to 27.41% and an one-off deemed loss on disposal amounting to HK\$64.2 million was recorded and included in share of results of associates during the six months ended 30 September 2025.

Mr. Duan is a substantial shareholder and a director of the Company and thus a connected person of the Group, including Sharp Profit under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The making of the share offer by Sharp Profit (or procure to be made on its behalf), being the Company's proportion, will constitute a deemed connected transaction for the Group under Rule 14A.20 of Chapter 14A of the Listing Rules. Since all the applicable percentage ratios under the Listing Rules are below 5%, the transaction involving acceptance of the Company's proportion in the share offer will be subject to the reporting and announcement requirements but is exempt from circular (including independent financial adviser's advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of which had been disclosed in the Company's announcement dated 21 July 2025, 8 August 2025, 1 September 2025 and 22 September 2025.

ISSUE OF SENIOR NOTES

On 15 October 2025, the Company and certain subsidiaries of the Company which provide unconditional and irrevocable guarantees to secure the Company's obligations under the notes entered into the purchase agreement with Morgan Stanley & Co. International plc, Barclays Bank PLC, China International Capital Corporation Hong Kong Securities Limited, China CITIC Bank International Limited, Deutsche Bank AG, Hong Kong Branch, DBS Bank Ltd. and SMBC Nikko Securities (Hong Kong) Limited, as initial purchasers, in connection with the issue and sale of 5.875% senior notes due 2030 in the aggregate principal amount of US\$150,000,000 (the "Notes Issue").

The gross proceeds from the Notes Issue will be approximately US\$148.4 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 for repayment of certain 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 announcement dated 15 October 2025 and 23 October 2025.

PROSPECTS

Despite numerous uncertainties in the global economy, the PRC's economy continues to demonstrate strong resilience, and the accelerated progress of new-type urbanization provides a stable demand foundation for the water industry. The water industry is embracing structural development opportunities. On one hand, water tariff reform has entered into a substantive implementation phase, with local governments improving cost supervision and mechanisms, and water tariff adjustments being initiated and implemented in many regions across the country. On the other hand, with an easing international monetary policy environment and the start of an interest rate cutting cycle, costs of funding are expected to decline further. Coupled with the Ministry of Finance's targeted support for water infrastructure through special bonds, these factors are expected to directly enhance the overall profitability and reinvestment capability of the water industry.

Capitalising on this historic window of opportunity, we will fully leverage supporting policies and deepen the construction of a smart water business. By integrating artificial intelligence, the Internet of Things, and big data technologies, we aim to achieve the digital transformation of water operations, with precise technological applications in key areas such as pipeline leakage control, real-time water quality monitoring and early warning, and regional water demand forecasting, striving to achieve improvement in both operational efficiency and service resilience.

In terms of industrial structure, the Group will align with the national policy direction of ultra-long-term government bonds and special bonds, actively pursue a light-asset development strategy, and achieve a balanced light-and-heavy asset development model. By reducing capital expenditure, optimizing financial leverage, and enhancing operational flexibility and risk resilience, the Group aims to increase its ability to generate free cash flow, thereby providing sufficient funding for shareholder returns and business growth.

With over two decades of deep expertise in the water sector, industry-leading digital capabilities, and a prudent financial strategy, the Group will uphold its commitment to a water oriented and kindness to society. Leveraging technological innovation and refined management, it strives to deliver long-term value to shareholders and contribute to urban water supply security and public well-being.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2025, the Group maintained a satisfactory liquidity level. As at 30 September 2025, the Group has total cash and cash equivalents and pledged deposits of approximately HK\$4,544.1 million (31 March 2025: HK\$5,450.0 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 64.3% (31 March 2025: 66.8%) as at 30 September 2025.

As at 30 September 2025, the Group's current liabilities exceeded its current assets by HK\$5,974.0 million (31 March 2025: net current liabilities of HK\$3,789.7 million). It was mainly due to maturity of various long-term bank and other loans including US\$350 million senior notes due May 2026, 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 2025, the Group's aggregate outstanding borrowings amounted to HK\$24,456.4 million (31 March 2025: HK\$25,185.2 million), which are mainly in Hong Kong dollars, Renminbi and United States dollars. The decrease in overall borrowings was mainly due to overall repayment of indebtedness of the Group. 67.9% of such outstanding borrowings was arranged on floating rate basis and the balance of 32.1% was at fixed rate basis. According to the repayment schedule, HK\$8,045.4 million was repayable within one year and the balance of HK\$16,411.1 million was repayable after one year. As at 30 September 2025, the total unutilised loan facilities, offers and notes registered principle amount available to the Group amounted to HK\$13.3 billion (31 March 2025: HK\$13.4 billion).

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 2025, the Group has employed approximately 10,300 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 2025, 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 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 2025, 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.1.6.

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.1.6, 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 19 September 2025 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 2025 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 2025, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration (excluding expenses) HK\$
April 2025	836,000	6.00	5.77	4,968,000

During the period ended 30 September 2025, the Company repurchased a total of 836,000 ordinary shares of HK\$0.01 each in the capital of the Company at an aggregate price of approximately HK\$4,968,000. Those repurchased shares were held as treasury shares as at the date of this announcement.

The purchase of the Company's shares was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting.

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 2025 with the directors.

Ernst & Young was appointed as the auditor of the Company on the annual general meeting dated 19 September 2025.

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2025 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, 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, 28 November 2025

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, Mr. Siu Chi Ming, Ms. Ho Ping and Mr. Xiao Zhe.