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中國水務集團有限公司*
China Water Affairs Group Limited

（於開曼群島註冊成立並遷冊往百慕達之有限公司）

（股份代號：855）

海外監管公佈

本海外監管公佈乃根據香港聯合交易所有限公司(「**聯交所**」)證券上市規則(「**上市規則**」)第13.10B條刊發。

謹此提述中國水務集團有限公司(「**本公司**」)日期為二零二二年一月二十日的公佈，內容有關發行額外票據(「**該公佈**」)。除另有界定者外，本公佈所用詞彙與該公佈所界定者具有相同涵義。

敬請參閱隨附日期為二零二二年一月十九日有關額外票據發行的發售備忘錄(「**發售備忘錄**」)，發售備忘錄已於新交所網站刊發。

於聯交所網站刊登發售備忘錄僅為促使向香港投資者同步發佈資料並遵守上市規則第13.10B條，概無任何其他目的。

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承董事會命
中國水務集團有限公司
主席
段傳良

香港，二零二二年一月三十一日

於本公佈日期，董事會包括五位執行董事，即段傳良先生、丁斌小姐、劉玉杰小姐、李中先生及段林楠先生，三位非執行董事，即趙海虎先生、井上亮先生及王小沁小姐，以及五位獨立非執行董事，即周錦榮先生、邵梓銘先生、何萍小姐、周楠小姐及陳偉璋先生。

* *僅供識別*

IMPORTANT NOTICE

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The communication of the attached document and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the New Notes offered hereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

Prohibition of Sales to EEA Retail Investors — The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (the "Insurance Mediation Directive"), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors — The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA; Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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CHINA WATER AFFAIRS GROUP LIMITED
中國水務集團有限公司

(incorporated in the Cayman Islands and continued as an exempted company in Bermuda with limited liability)

中國水務集團有限公司
China Water Affairs Group Limited

US$150,000,000
4.85% SENIOR NOTES DUE 2026
(to be consolidated and form a single series with the US$200,000,000 4.85% Senior Notes due 2026 issued on May 18, 2021)
ISSUE PRICE: 97.0% plus accrued interest from and (including) November 18, 2021 to (but excluding) January 26, 2022

The US$150,000,000 4.85% Senior Notes due 2026 (the "New Notes") are to be issued by China Water Affairs Group Limited (the "Company") and will be consolidated and form a single series with the US$200,000,000 4.85% Senior Notes due 2026 issued on May 18, 2021 (the "Original Notes" and together with the New Notes, the "Notes"). The New Notes will bear interest from and including January 26, 2022 at 4.85% per annum payable semi-annually in arrears on May 18 and November 18 of each year, beginning on May 18, 2022. The Notes will mature on May 18, 2026.

The terms and conditions for the New Notes are the same as those for the Original Notes in all respects except for the issue date and issue price, and the New Notes and the Original Notes will vote together as one class on all matters with respect to the Notes. Upon the issue of the New Notes, the aggregate principal amount of outstanding Notes will be US$350,000,000.

The Notes are senior obligations of the Company, unconditionally guaranteed, jointly and severally, by certain of our existing and future subsidiaries specified in "Description of the Notes" (the "Subsidiary Guarantors"). We refer to such guarantees as the Subsidiary Guarantees.

We may at our option redeem the Notes, in whole or in part, at any time and from time to time on or after May 18, 2024, at redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to May 18, 2024, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of capital stock of the Company at a redemption price of 104.85% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may redeem the Notes, in whole but not in part, at any time prior to May 18, 2024 at a price equal to 100% of the principal amount of the applicable Notes plus a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined herein), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will (1) rank senior in right of payment to any of our existing and future obligations expressly subordinated in right of payment to the Notes, (2) be at least *pari passu* in right of payment with all our other unsecured, unsubordinated Indebtedness (as defined herein) (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law), (3) be effectively subordinated to the secured obligations (if any) of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (4) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined herein). However, applicable law may limit the enforceability of the Subsidiary Guarantees. See "Risk Factors—Risks Relating to the Subsidiary Guarantees."

For a more detailed description of the Notes, see "Description of the Notes" beginning on page 99.

The New Notes are being issued as "Green Bonds" under our Green Finance Framework. See the section entitled "Notes Being Issued as Green Bonds."

Investing in the Notes involves risks. See "Risk Factors" beginning on page 20.

There is currently no public market for the New Notes. The Original Notes are listed and quoted on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this offering memorandum. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Notes, the Subsidiary Guarantees, the Company, the Subsidiary Guarantors or their respective subsidiaries or associated companies, if any. For as long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000. There can be no assurance that a trading market in the New Notes will develop or be maintained.

The Original Notes have been rated "BB+" by Standard & Poor's Ratings Group ("S&P") and "Ba1" by Moody's Investors Service, Inc. ("Moody's"). The New Notes are expected to be rated "BB+" by S&P and "Ba1" by Moody's. Any rating does not constitute a recommendation to buy, sell or hold the New Notes and may be subject to suspension, reduction or withdrawal at any time by the relevant rating organization.

The New Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Notes and the Subsidiary Guarantees are being offered and sold by the Initial Purchasers (as defined herein) only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of certain restrictions on resale or transfer, see "Transfer Restrictions" beginning on page 189.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知)(the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the New Notes with the NDRC and obtained a certificate from the NDRC evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the New Notes to be reported to the NDRC within ten working days after the issue date of the New Notes.

It is expected that the delivery of the New Notes will be made through the book-entry facilities of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") on or about January 26, 2022 against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley | Barclays | BOCOM International | Shanghai Pudong Development Bank Hong Kong Branch | China CITIC Bank International | Standard Chartered Bank | Huatai International | Nomura | Mizuho Securities | UBS | ANZ | HSBC

Joint Bookrunners and Joint Lead Managers

The Bank of East Asia, Limited | CTBC Bank

The date of this offering memorandum is January 19, 2022.

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This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

The attached document is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129, including as the same forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

The communication of this offering memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the New Notes offered hereby are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

IN CONNECTION WITH THIS OFFERING, MORGAN STANLEY & CO. INTERNATIONAL PLC, INCLUDING ITS AFFILIATES, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NEW NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NEW NOTES. AS A RESULT, THE PRICE OF THE NEW NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME.

Prohibition of Sales to EEA Retail Investors — The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors — The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MIFIR product governance/Professional investors and ECPs only target market — Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the New Notes has led to the conclusion that: (i) the target market for the New Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the New Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the New Notes (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the New Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this offering memorandum and the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) that is material in the context of the offering of the New Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), the omission of which would, in the context of the offering of the New Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the New Notes. You should read this offering memorandum before making a decision whether to purchase the New Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the New Notes. By purchasing the New Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled “Transfer Restrictions” below.

No representation or warranty, express or implied, is made or given by Morgan Stanley & Co. International plc, Barclays Bank PLC, BOCOM International Securities Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, China CITIC Bank International Limited, Standard Chartered Bank, Huatai Financial Holdings (Hong Kong) Limited, Nomura International (Hong Kong) Limited, Mizuho Securities Asia Limited, UBS AG Hong Kong Branch, Australia and New Zealand Banking Group Limited, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited and CTBC Bank Co., Ltd. (the “Initial Purchasers”), the Trustee or the Agents (each as defined in the “Description of the Notes”) any person who controls any of them, or any of their respective directors, officers, employees, agents, affiliates or advisers as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the Initial Purchasers, the Trustee or the Agents has independently verified any of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents accepts any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by any Initial Purchasers, the Trustee or the Agents or on its behalf in connection with the Company, the Subsidiary Guarantors or the issue and offering of the New Notes. The Initial Purchasers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this offering memorandum or any such statement.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee or the Agents or any person who controls any of them, or any of their respective directors, officers, employees, agents, affiliates or advisers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes or the Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the New Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers, the Trustee, or the Agents.

The New Notes and the Subsidiary Guarantees have not been approved or disapproved by the United States Securities and Exchange Commission ("SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes may not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notification under Section 309B(1)(c) of the SFA — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

We are not, and the Initial Purchasers are not, making an offer to sell the New Notes, including the Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the securities, including the New Notes and the Subsidiary Guarantees, may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the New Notes and the Subsidiary Guarantees, and distribution of this offering memorandum, see "Transfer Restrictions" and "Plan of Distribution".

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the New Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisers for legal, business, tax and other advice regarding an investment in the New Notes.

We reserve the right to withdraw the offering of the New Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the New Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the New Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the New Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY AND FINANCIAL PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we", "us", "our", the "Company", the "Group" and words of similar import, we are referring to the Company and its consolidated subsidiaries as a whole, as the context requires.

In this offering memorandum, references to:

"BVI"	are to the British Virgin Islands
"China" or "PRC"	are to the People's Republic of China, which for the purposes of this offering memorandum only, except where the context otherwise requires, does not include Hong Kong, Macau or Taiwan
"HK$" or "Hong Kong dollar"	are to Hong Kong dollars, the official currency of Hong Kong
"Hong Kong" or "HK"	are to Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	are to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	are to The Stock Exchange of Hong Kong Limited
"MOHURD"	are to the Ministry of Housing and Urban-Rural Development
"NDRC"	are to the National Development and Reform Commission of China
"PBOC"	are to the People's Bank of China, the central bank of the PRC
"PRC government"	are to the central government of the PRC and all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof or, where the context requires, any of them
"RMB" or "Renminbi"	are to the Renminbi, the official currency of China
"SAFE"	are to the State Administration of Foreign Exchange of the PRC
"State Council"	are to the State Council of the People's Republic of China
"United States" or "U.S."	are to the United States of America
"US$" or "U.S. dollars"	are to United States dollars, the official currency of the U.S.

Market data, industry forecast and PRC urban water supply industry statistics in this offering memorandum have been obtained from both public and private sources, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or our or their respective directors and advisers, and neither we, the Initial Purchasers, nor our or their respective directors and advisers makes any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and industry statistics.

The Company records and publishes its financial statements in Hong Kong dollars. Unless otherwise stated in this offering memorandum, all translations from Hong Kong dollar amounts to U.S. dollar amounts were made at the rate of HK$7.7850 to US$1.00, the noon buying rate in New York City for cable transfers payable in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2021. All such translations in this offering memorandum are provided solely for your convenience. For further information relating to the exchange rates, see "Exchange Rate Information."

The Company's financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") which differ in certain respects from generally accepted accounting principles in certain other jurisdictions. Unless the context otherwise requires, references to "2020" and "2021" in this offering memorandum are to the fiscal years ended March 31, 2020 and 2021, respectively.

In this offering memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like in this offering memorandum are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

NON-HKFRS DISCLOSURE

In this offering memorandum, we refer to EBITDA (as defined in "Summary Historical Consolidated Financial Data") and ratios related thereto. These are supplemental financial measures that are not prepared in accordance with HKFRS. Any analysis of non-HKFRS financial measures should be used in conjunction with results presented in accordance with HKFRS. The presentation of non-HKFRS financial measures in this offering memorandum may not be comparable to similarly titled measures presented by other companies, and may not comply with relevant SEC or Hong Kong Stock Exchange rules regarding the presentation of such measures and their reconciliation to the most directly comparable HKFRS measure, as applicable.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- risks associated with general political, social and economic conditions globally, in the PRC and related to the water industry;
- volatility and weakness in world-wide financial markets and from governmental intervention in financial markets;
- the Company's future business development, results of operations and financial condition;
- the Company's ability to manage working capital and operations-related expenditure requirements;
- the Company's financial condition and performance;
- changes in currency exchange rates;
- the Company's ability to achieve its business strategies and plans of operation;
- certain government regulations, policies and other factors beyond the Group's control; and
- those other risks identified in the "Risk Factors" section of this Offering Circular.

In some cases, you can identify forward-looking statements by such terminology as "may", "will", "should", "could", "would", "expect", "intend", "plan", "anticipate", "going forward", "ought to", "seek", "project", "forecast", "believe", "estimate", "predict", "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of the Group's management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance and some of which may not materialize or may change. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, the Company cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results the Company may achieve. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the section entitled "Risk Factors" in this offering memorandum.

Except as required by law, the Company undertakes no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

ENFORCEMENT OF CIVIL LIABILITIES

All of assets of the Company and the Subsidiary Guarantors are located outside the United States. In addition, all of the directors and officers of the Company and the Subsidiary Guarantors are nationals or residents of countries other than the United States (principally of the PRC), and all or a substantial portion of such persons' assets are or may be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or the Subsidiary Guarantors or such directors and officers or to enforce against us or the Subsidiary Guarantors or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

The New Notes, the Subsidiary Guarantees and the agreements entered into with respect to the issue of the New Notes, including the Indenture, are governed by the laws of the State of New York. The Company is an exempted company continued in Bermuda with limited liability and the Subsidiary Guarantors are all incorporated in non-U.S. jurisdictions. Bermuda and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

All of the assets of the Company and the Subsidiary Guarantors are located outside the United States. In addition, all of the directors and officers of the Company and the Subsidiary Guarantors are nationals or residents of countries other than the United States (principally of the PRC), and all or a substantial portion of such persons' assets are or may be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or the Subsidiary Guarantors or such directors and officers or to enforce against us or the Subsidiary Guarantors or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

The Company and each of the Subsidiary Guarantors expect to appoint Cogency Global Inc. as their respective agent to receive service of process with respect to any action brought against the Company or any such Subsidiary Guarantor in the United States federal courts located in The City and County of New York under the federal securities laws of the United States or of any state of the United States or any action brought against the Issuer or any such Subsidiary Guarantor in the courts of the State of New York in The City and County of New York under the securities laws of the State of New York.

We have been advised by our Bermuda legal adviser that the courts of Bermuda would recognise as a valid judgment, a final and conclusive judgment *in personam* obtained in the United States Courts against the Company under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of Bermuda; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of Bermuda; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of Bermuda; and (f) there is due compliance with the correct procedures under the laws of Bermuda.

There is uncertainty as to whether the courts of Bermuda, the BVI or the Cayman Islands would (i) enforce judgments of United States courts obtained against Subsidiary Guarantors incorporated in Bermuda, the BVI or the Cayman Islands or their directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States; or (ii) entertain original actions brought in the courts of Bermuda, the BVI or the Cayman Islands against Subsidiary Guarantors incorporated in Bermuda, the BVI or the Cayman Islands or their directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States.

We have been advised by our Cayman Islands legal advisors that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in any U.S. federal or New York state court located in The City and County of New York against a Subsidiary Guarantor incorporated in the Cayman Islands under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an in personam judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the Cayman Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands, and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

We have been advised by our BVI legal advisors that the courts of the BVI would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in any U.S. federal or New York state court located in The City and County of New York against a Subsidiary Guarantor incorporated in BVI under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the BVI, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the BVI, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the BVI, and (f) there is due compliance with the correct procedures under the laws of the BVI.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

(i) was obtained by fraud;

(ii) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);

(iii) is contrary to public policy or natural justice in Hong Kong;

(iv) is based on foreign penal, revenue or other public law; or

(v) falls within Section 3(1) of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Chapter 46 of the Laws of Hong Kong).

Further, we have been advised by our PRC legal counsel that there is uncertainty as to whether the courts of the PRC would (i) enforce judgments of the U.S. courts obtained against us, our directors or officers, the Subsidiary Guarantors or their directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (ii) entertain original actions brought in the courts of the PRC against us, our directors or officers, the Subsidiary Guarantors or their directors or officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain terms appearing in this offering memorandum that are commonly used in connection with our business. The terms and their meanings may not correspond to standard industry meanings or usages of those terms.

BOT	Build-Operate-Transfer, a project format in which the proprietor grants the rights to a contracted enterprise by concession agreement to undertake the financing, design, construction, operation and maintenance of the facility, which such enterprise would charge a fee for during the concession period to cover its costs of investment, operation and maintenance as well as reasonable returns. Upon expiration of the concession period, the facility will be transferred back to the proprietor
non-revenue water	water that has been produced and is lost before it reaches the customer through leakage from distribution networks
PAC	poly-aluminum chloride
sewage	water that has been used for domestic or industrial purposes which may contain organic and inorganic pollutants, bacteria, dissolved and/or suspended solids
sewage treatment	use of physical, chemical and biological processes to remove pollutants from sewage before discharging it into a water body
TOO	Transfer-Own-Operate, a project format in which a proprietor, a PRC government owned entity, and an enterprise enter into an arrangement, pursuant to which the proprietor transfers the rights to the enterprise to undertake the financing, design, construction, operation and maintenance of the facility, in return for which the enterprise can charge users a fee directly. The arrangement is typically for a period of 30 years. Upon the end of the period, the enterprise typically has a first right of refusal to apply for a renewal of the arrangement or the proprietor may purchase the facilities at an agreed price
TOT	Transfer-Operate-Transfer, a project format in which the proprietor transfers the rights to operate a facility to an enterprise for a consideration pursuant to concession agreement, in return, the enterprise can charge users a fee during the concession period, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
water treatment	use of chemical and biological processes to treat raw water before supplying the water for general consumption

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the New Notes. You should read the entire offering memorandum, including the section entitled "Risk Factors," the consolidated financial information of the Company and related notes thereto, before making an investment decision.

Overview

We are one of the largest publicly-listed water supply companies in China based on the volume of water sold for the year ended March 31, 2021. Unlike our peers, we are uniquely focused on the water supply business. We began our operation in the water sector in 2003 and have experienced significant growth since then, primarily through mergers and acquisitions, especially those targeting developing cities in China.

We have an extensive and diverse portfolio of projects. As of September 30, 2021, we had 83 water companies across 65 cities in 13 provinces and 3 municipal cities in China (including exclusive water supply concessions in 59 cities, 8 raw water projects and 21 sewage treatment projects) with a daily water supply and treatment capacity of more than 9.3 million cubic meters. Our water supply business, involving the treatment and distribution of tap water and raw water, the installation of connection meters and water supply related construction work, contributed 83.1%, 82.6%, 82.6% and 79.5% of our total revenue for the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2020 and 2021, respectively. As part of our integrated approach in the water business, we also engage in sewage treatment, drainage operation and related construction work, which, for the same periods, contributed 12.4%, 11.6%, 9.7% and 9.2% of our total revenue, respectively. In addition, we also undertake property development and investment.

The water supply industry in China is exclusive in nature. As a result, we have the exclusive right for our water supply business in cities where we operate, with concessions that typically have a term of 30 years. As of September 30, 2021, the coverage of our water supply plants included exclusive rights to operate in 59 cities, with more than 6.5 million connected water meters used by our residential, industrial and other end users.

We operate the majority of our water supply plants under a TOO model. Under the TOO model, we enter into an arrangement with a proprietor, a PRC government owned entity, to operate our water plants, pursuant to which we collect water tariffs directly from end users on behalf of the local government, mitigating payment risks. Unlike the BOT business model under which the operator transfers the water facilities back to the government for zero consideration when a concession period expires, when the term of one of our TOO arrangements ends, we are typically given a first right of refusal to apply for a renewal of the arrangement. Alternatively, the proprietor may purchase the facilities from us at a price to be agreed upon.

Leveraging tariff increases, growth in volume of water sold and new projects, we have enjoyed sustainable and rapid growth in water supply capacity and revenue. We have consistently increased our daily water processing capacity (including sewage treatment plants and water supply plants) from 4.4 million tons per day as of March 31, 2012 to 9.3 million tons per day as of September 30, 2021. For the fiscal year ended March 31, 2021, our volume of tap water sold has increased to 1,185.3 million tons. In addition to increases in tariffs and increases in volume of water sold, we have also expanded our capacity, sales volume and revenue through acquisition of new projects. We have developed a stringent set of key investment criteria for new projects, with a professional investment team constantly sourcing new projects and a professional business development team that negotiates terms with local governments.

The Company was incorporated in the Cayman Islands on July 26, 1999 and continued in Bermuda on July 9, 2003 as an exempted company with limited liability. The Company is listed on the Hong Kong Stock Exchange (Stock Code: HK 0855). For the fiscal year ended March 31, 2020, and 2021 and the six months ended September 30, 2020 and 2021, our revenues were HK$8.7 billion, HK$10.3 billion (US$1.3 billion), HK$5.1 billion and HK$6.5 billion (US$0.8 billion), respectively, profit for the year/period was HK$2.5 billion, HK$2.7 billion (US$0.3 billion), HK$1.3 billion and HK$1.6 billion (US$0.2 billion), respectively, and EBITDA was HK$4.2 billion, HK$4.6 billion (US$0.6 billion), HK$2.3 billion and HK$2.7 billion (US$0.4 billion), respectively.

Our Strengths

One of the Largest Publicly-Listed Water Supply Companies in China with a Unique Water Supply Focus and a High Quality Portfolio

We are one of the largest publicly-listed water supply companies in China based on the volume of water sold for the year ended March 31, 2021. Unlike our peers, we are uniquely focused on the water supply business. For the fiscal year ended March 31, 2021 and the six months ended September 30, 2021, we sold 1,185.3 million tons and 658.2 million tons of water, respectively. In addition, for the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2020 and 2021, we recognized HK$7.2 billion, HK$8.5 billion (US$1.1 billion), HK$4.2 billion and HK$5.1 billion (US$0.7 billion) in revenue from our water supply business, involving the treatment and distribution of tap water and raw water, the installation of connection meters and water supply related construction work, accounting for 83.1%, 82.6%, 82.6% and 79.5% of our total revenue for the same periods, respectively.

We have an extensive and diverse portfolio of projects. As of September 30, 2021, we have 83 water companies across China, including exclusive water supply concessions in 59 cities, 8 raw water projects and 21 sewage treatment projects with a daily water treatment capacity of more than 9.3 million cubic meters. As of September 30, 2021, the coverage of our water plants, including water supply plants and sewage treatment plants extended to 65 cities in 13 provinces and 3 municipal cities in China, including Hunan, Henan, Heilongjiang, Hainan, Jiangsu, Hubei, Jiangxi, Shanxi, Guangdong, Hebei, Guizhou, Shaanxi, Shandong, Tianjin, Beijing and Chongqing. Most of our operations are in central or southern China where rainfalls are abundant and our operations are less susceptible to weather conditions. Many of our existing water plants have a track record of steadily increasing water supply over the years. As living standards in the PRC continue to improve and as levels of urbanization and industrialization continue to rise, we expect that water demand, and the corresponding volume of water that we supply and coverage within cities, will also continue to increase.

Exclusive Operating Rights with Direct Access to End Users and Cash Tariff Collection, Providing Stable and Predictable Cash Flow

The water supply industry in China is exclusive in nature. As a result, we have the exclusive right for our water supply business in cities where we operate with concessions that typically have a term of 30 years. At the end of the concession period, we are typically given a first right of refusal to apply for a renewal of the concession. Alternatively, the grantor may purchase the facilities at an agreed price. As of September 30, 2021, the coverage of our water supply plants included exclusive rights to operate in 59 cities, with more than 6.5 million connected water meters used by our residential, industrial and other end users.

We operate the majority of our water supply plants under a TOO model. Under the TOO model, we enter into an arrangement with a proprietor, a PRC government owned entity, to operate our water plants, pursuant to which we collect water tariffs directly from end users on behalf of the local government, mitigating payment risks. If water tariffs are not paid within 2 months, we have the right to discontinue water supply to the specific users. Together with the water tariffs, we are also paid to collect other charges for local governments, including sewage treatment fees, solid waste disposal fees and city construction fees. In addition, we have a strong record in terms of our revenue collection capabilities, with an average account receivable days of 42.3 days in the fiscal year ended March 31, 2021. As a result, we have had a stable and predictable cash flow, which we expect will continue to support our expansion. Our operating cash flow before working capital changes for the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2021 were HK$3.4 billion, HK$3.9 billion (US$0.5 billion) and HK$2.3 billion (US$0.3 billion), respectively.

Unlike the BOT business model under which the operator transfers the water facilities back to the government for zero consideration when a concession period expires, when the term of our TOO arrangements end, we are typically given a first right of refusal to apply for a renewal of the arrangement. Alternatively, the proprietor may purchase the facilities from us at a price to be agreed upon.

With water supply at the center of our business, complemented by our sewage treatment business, we are uniquely and strategically positioned across the value chain, providing end-to-end solutions to governments and customers. This has provided room for recurring value-added services such as pipeline maintenance and water meter installation. Most of our business segments generally enjoy stable margins, in particular for our water supply operations and our water supply connection services. Our business model, supported by exclusive operation rights and growth through tariff increases, increases in volume of water sold and new acquisitions, has helped us become a stable and growing utility business with economies of scale and resilience during economic downturns.

Consistent Operational Excellence and Proven Track Record of Steady Organic Growth Driven by Successful Tariff Increase, Volume Growth and New Projects

Leveraging tariff increases, growth in volume of water sold and new projects, we have enjoyed sustainable and rapid growth in water supply capacity and revenue. We have consistently increased our daily water processing capacity (including tap water and raw water supply plants and sewage treatment plants) from 4.4 million tons per day as of March 31, 2012 to 9.3 million tons per day as of September 30, 2021. For the fiscal year ended March 31, 2021, our volume of tap water sold has increased to 1,185.3 million tons. Our revenue has increased from HK$8.7 billion for the fiscal year ended March 31, 2020 to HK$10.3 billion (US$1.3 billion) for the fiscal year ended March 31, 2021 and from HK$5.1 billion for the six months ended September 30, 2020 to HK$6.5 billion (US$0.8 billion) for the six months ended September 30, 2021.

Since 2012, the average water tariffs that we collect for the water we supply has been steadily increasing. Our average water tariffs have increased from approximately HK$1.83 per cubic meter as of March 31, 2012 to approximately HK$2.4 per cubic meter as of March 31, 2021. In addition, our average water tariff of HK$2.5 per cubic meter, as of September 30, 2021, was below the national average of approximately HK$4.5 per cubic meter according to the information published by Global Water Intelligence, as of September 30, 2021. In the years to come, we believe that water tariffs will continue to increase due to the relatively low level of China's current water tariffs in urban areas, which are only approximately 25% of the world's average and the PRC government's incentive to set higher water tariffs to discourage excess consumption.

In addition to increases in tariffs, we have also expanded our capacity, sales volume and revenue through acquisition of new projects. We have developed a stringent set of key investment criteria for new projects, with a professional investment team constantly sourcing new projects and a professional business development team that negotiates terms with local governments. We have successfully executed our strategy of growth through acquisitions over the past ten years and this remains a strategic focus for us.

We have also been able to achieve consistent operational excellence. We have a track record of high quality water supply consistently surpassing requirements set by local governments. In addition, we have a track record of reducing leakage in our water plants.

Strong Credit and Financial Profile with High Quality Partners

We have a strong credit and financial profile. We have consistently maintained strong cash flows due to our TOO business model and the exclusive nature of the water utility business. In addition, our EBITDA to interest coverage ratio has been consistently strong. We expect to continue to maintain our strong liquidity position and credit profile, which we believe will enable us to expand steadily and sustain our business plans.

We have received financial and strategic support from high quality partners. Our partners include the Asian Development Bank. In addition to providing long-term financing, these partners have been instrumental in guiding us with respect the operation of our business with a view to meeting international standards.

Highly Experienced Management Team with Extensive Industry and Execution Track Record

Our management team has extensive experience and a proven track record in the water industry in China. The majority of our core management team members are either veteran experts in the water industry or former senior officials of the Ministry of Water Resources and have deep knowledge of the sector and relevant government policies. The management team has on average over 20 years of experience in water or water-related sectors. We believe that our strong management and execution capacity is evidenced by a consistent track record in acquiring under-performing water plants owned by local governments and turning them around to profitability. We believe that our management team enables us to continue to improve the efficiency and quality of our operations and services.

Our Strategies

Solidify Leading Position in the Water Supply Segment and Progressively Spin off Non-core Assets

We plan to continue to strengthen and solidify our leading position in the PRC water business. We intend to continue to focus on raw water and tap water supply business under the TOO model and expand our operations organically to increase recurring revenue streams through exclusive concession rights. We intend to continue to evaluate our business model and strive to optimize our business portfolio, and may, depending on market conditions, resort to equity capital markets to obtain financing to fund our expansion of core business. In addition, we plan to spin-off certain non-core assets to generate additional income as well as provide the financial capability to pursue more attractive investments.

Focus on the Development of Water and Related Businesses and Improve Utilization Rate and Efficiency

We intend to focus on the development of our water and related businesses, and aim to establish an integrated supply chain that covers water resources management, retail water supply systems, sewage treatment, installation of water pipes and electronic meter systems in addition to taking advantage of already established infrastructure in cities in which we operate. We also plan to continue to develop direct drinking water business, fingertip water application and smart pipeline network systems.

In addition, we intend to capitalize on economies of scale with expansion of business through mergers and acquisitions. As we acquire more project companies we expect to be able to share our technical and operational know-how to improve our utilizations rates and our efficiency.

Continue to Prudently Acquire High Quality Projects to Expand our Water Supply Business and Extend to Wastewater Treatment Business

We intend to continue to expand our presence in the market through selective mergers and acquisitions. We have developed a stringent set of key investment criteria for new projects, with a professional investment team constantly sourcing new projects and a professional business development team that negotiates terms with local governments. Leveraging these strengths, we intend to acquire and integrate companies with water supply capacity in various regions of China. In particular, we plan to acquire government-owned, under-performing water plants in cities with growth potential in terms of water demand and tariffs, allowing us to achieve sustainable growth of our water supply business and maintain a reasonable level of return on investments.

Continue to Explore Opportunities for Water Tariff Increases

According to guidance from the NDRC, water tariffs are regulated such that water supply operators achieve a return on equity of at least 8% to 12%. Revisions of tariffs are subject to review by the NDRC, the Water Affairs Bureau and eventually a public hearing. Applications for upward adjustments may be made in the case of increases in key costs including raw material prices, labor costs and electricity charges. In the years to come, we believe that water tariffs will continue to increase due to the relatively low level of China's current water tariffs in urban areas, which are only approximately 25% of the world's average, and the PRC government's incentive to set higher water tariffs to discourage excess consumption. We intend to take full advantage of opportunities to increase our water tariffs.

Develop and Promote Value-added Services

In addition to tap water and raw water supply and sewage treatment services, we also provide construction services. Our construction services consist primarily of water meter installation, installation of water pipelines for water distribution, construction of water reservoirs for water storage, as well as the construction of water treatment plants on a BOT basis. We intend to continue to develop this aspect of our business to expand our value-added services.

Recent Developments

COVID-19 Pandemic

The outbreak of the COVID-19 pandemic across different regions has brought unprecedented impacts and challenges to the global economy. Uncertainties and volatility surrounding global economic outlook has surged. There are and will be significant changes in the mode of production and lifestyle in the society. Under such market conditions, the nature of our utility business characterized by stable revenue and cash flow has become a prominent advantage. China has actively deployed to resume production and reboot economic activities after an effective control of the first wave of the pandemic in the nation. The rapid recovery of China's economy will lay down a beneficial foundation for future development and enhancement of the water industry. However, it remains uncertain how long the COVID-19 pandemic will persist and how our operations may be affected in the future. See "Risk Factors—We face risks related to natural disasters, epidemics or pandemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, we could be materially and adversely affected by the COVID-19 pandemic. Our insurance policies may not provide adequate coverage for the related losses."

Redemption of 2017 Senior Notes

In June 2021, we partially redeemed the 2017 Senior Notes at the redemption price equal to 101.3125% of the principal amount thereof, being US$150 million, plus accrued and unpaid interest to (but excluding) the redemption date (the "Partial Redemption"). We consider that there will be no material impact on our financial position as a result of the Partial Redemption. Upon completion of the Partial Redemption, the redeemed notes were canceled and the outstanding principal amount of the 2017 Senior Notes is US$150 million.

Recent Acquisitions

In the six months ended September 30, 2021, we entered into agreements with other existing shareholders and directors to obtain control of the board of directors of Nanjing Aquacup Technology Co., Ltd. (南京水杯子科技股份有限公司) ("Nanjing Aquacup"). As of September 30, 2021, we has already acquired approximately 23.2% equity interest in Nanjing Aquacup at a total consideration of RMB34.9 million (approximately HK$42.0 million).

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

The acquisition was made as part of our strategy to facilitate the pipeline direct drinking water business in China. Details of the acquisition are set out in the announcement of us dated September 29, 2021.

Strategic Cooperations

In October 2021, we entered into the cooperation agreements with water supply companies on direct drinking water projects in each of Shangqiu, Hebi and Luohe city, Henan Province, in Guizhou Province and Chongqing. In the same month, we entered into the framework agreement with Qixian Government in relation to cooperation in water projects in Qixian, Henan. In December 2021, we entered into the cooperation agreement with Huaihua Water Investments on direct drinking water projects in Huaihua city, Hunan Province. The cooperation agreements represents a further development of the our direct drinking water business and will strengthen the synergy effect in the region and province.

Proposed Spin-off

In December 2021, we proposed to spin off and seek a separate listing of its city direct drinking water and water supply operation and construction business on the Main Board of The Stock Exchange of Hong Kong Limited. Upon completion of the proposed spin-off as currently contemplated, spinco will remain as a subsidiary of us and is expected to be owned as to approximately 82% (subject to the Board's final decision and the granting of a waiver by the Stock Exchange from strict compliance with Rule 8.08(1)(d) of the Listing Rules) by us, with the financial results of the spinco group continuing to be consolidated into our accounts. As such, we and our shareholders are expected to continue to enjoy the benefits from the growth and development of the spinco group.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this offering memorandum. For a more detailed description of the New Notes, see "Description of the Notes." Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Company	China Water Affairs Group Limited (the "Company").
Legal Entity Identifier	529900XTSVH0DH4CEX74
New Notes Offered	US$150,000,000 aggregate principal amount of 4.85% Notes due 2026 (the "New Notes"), to be consolidated and form a single series with the US$200,000,000 4.85% Senior Notes Due 2026 issued on May 18, 2021 (the "Original Notes" and together with the New Notes, the "Notes"). The terms for the New Notes are the same as those for the Original Notes in all respects except for the issue date and the issue price.
Offering Price	97.0% of the principal amount of the New Notes plus accrued interest from (and including) November 18, 2021 to (but excluding) January 26, 2022.
Original Issue Date	May 18, 2021.
Issue Date of the New Notes	January 26, 2022.
Maturity Date	May 18, 2026
Interest	The New Notes will bear interest at the rate of 4.85% per annum, payable semi-annually in arrears.
Interest Payment Dates	May 18 and November 18 of each year, commencing May 18, 2022.
Ranking of the Notes	The Notes are: • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to Applicable Law);

- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described under "Description of the Notes—The Subsidiary Guarantees" and in "Risk Factors—Risks Relating to the Subsidiary Guarantees";

- effectively subordinated to secured obligations (if any) of the Company and the Subsidiary Guarantors to the extent of the value of the assets serving as security therefor; and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Subsidiary Guarantees

Each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

A Subsidiary Guarantee may be released in certain circumstances. See "Description of the Notes—The Subsidiary Guarantees—Release of the Subsidiary Guarantees."

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries, other than (i) the Restricted Subsidiaries organized under the laws of the PRC (the "PRC Restricted Subsidiaries") and (ii) China Water Group (HK) Limited, China Water Supply Group Limited, Gold Tact (Hong Kong) Limited, Create Capital Development Limited, China Water Property (Hong Kong) Investment Limited and Sharp Profit Investments Limited (the "Initial Non-Guarantor Subsidiaries," and, together with the PRC Restricted Subsidiaries and any Exempted Subsidiary, the "Non-Guarantor Subsidiaries").

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. See "Risk Factors—Risks Relating to the Subsidiary Guarantees—Our initial Subsidiary Guarantors do not currently have significant operations."

The Company will cause each of its future Restricted Subsidiaries (other than the PRC Restricted Subsidiaries, the Exempted Subsidiaries or the Listed Subsidiaries), as soon as practicable and in any event within 60 days after it becomes a Restricted Subsidiary or, in the case of an Exempted Subsidiary or a Listed Subsidiary, ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which it will Guarantee the payment of the Notes. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than the Exempted Subsidiaries or the Listed Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20.0% of Total Assets.

Ranking of Subsidiary Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to Applicable Law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries of such Subsidiary Guarantor.

See "Risk Factors—Risks Relating to the Subsidiary Guarantees."

Use of Proceeds	We estimate that the gross proceeds from this offering will be approximately US$146.8 million. The net proceeds, after deducting the underwriting, management and selling commissions and other estimated expenses payable by us in connection with this offering, will be used in the Company's repayment of the 2017 Notes and certain other indebtedness and for financing working capital. Subject to the foregoing, we plan to use an amount equal to the net proceeds from the offering to finance or refinance, in whole or in part, Eligible Green Projects, particularly water supply projects, in accordance with our Green Finance Framework.
Green Bonds	The New Notes are being issued as "Green Bonds" under our Green Finance Framework. See the section entitled "Notes Being Issued as Green Bonds."
Optional Redemption	At any time and from time to time on or after May 18, 2024, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve-month period beginning on May 18 of each of the years indicated below.

Year	Redemption Price
2024	102.4250%
2025 and thereafter	101.2125%

At any time prior to May 18, 2024, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in "Description of the Notes—Optional Redemption."

At any time and from time to time prior to May 18, 2024, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 104.85% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 90 days after the closing of the related Equity Offering.

Repurchase of Notes Upon a Change of Control Triggering Event	Not later than 30 days following a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the repurchase date.
Redemption for Taxation Reasons	Subject to certain conditions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the Notes—Redemption for Taxation Reasons."
Covenants	The Notes, the Indenture and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of the Company or any other Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates;

- effect a consolidation or merger; and
- engage in any business other than businesses permitted by the Indenture.

These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes—Certain Covenants."

Transfer Restrictions	The New Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The New Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by the Global Certificate in book-entry form registered in the name of the common depository for Euroclear Bank S.A./N.V. ("Euroclear") and/or Clearstream Banking, S.A. ("Clearstream") (or its nominee). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, the records maintained by Euroclear and/or Clearstream.
Book-Entry Only	The New Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes—Book-Entry; Delivery and Form."
Delivery of the New Notes	The Company expects to make delivery of the New Notes, against payment in same-day funds on or about January 26, 2022, which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "T+5." You should note that initial trading of the New Notes may be affected by the T+5 settlement. See "Plan of Distribution."
Trustee	Citicorp International Limited
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citibank, N.A., London Branch

Listing	The Original Notes are listed and quoted on the SGX-ST. Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. For as long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New Notes will be traded in a minimum board lot size of US$200,000.
Ratings	The Original Notes have been rated "Ba1" by Moody's and "BB+" by S&P. The New Notes are expected to be rated the same as the Original Notes. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the New Notes.
Security Codes	**ISIN**: XS2320779213; **Common Code**: 232077921
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statement data for the fiscal years ended March 31, 2020 and 2021, the summary consolidated statement of financial position data as of March 31, 2020 and 2021, and the summary consolidated statement of cash flows data for the fiscal years ended March 31, 2020 and 2021, forth below have been derived from our consolidated financial statements for such fiscal years and as of such dates, as audited by PricewaterhouseCoopers, Certified Public Accountants, and included elsewhere in this offering memorandum. The summary consolidated income statement data for the six months ended September 30, 2020 and 2021, the summary consolidated statement of financial position data as of September 30, 2020 and 2021, and the summary consolidated statement of cash flows data for the six months ended September 30, 2020 and 2021 set forth below have been derived from our unaudited interim condensed consolidated financial information for such period and as of such date, as reviewed by PricewaterhouseCoopers 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 Hong Kong Institute of Certified Public Accountants. The interim consolidated financial information of the Company as of and for the six months ended September 30, 2020 and 2021 have not been audited by PricewaterhouseCoopers or any other independent certified accountants and should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Consequently, none of the Initial Purchasers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial conditions and results of operations. Results for the interim period are not indicative of the results for the full year. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

SUMMARY CONSOLIDATED INCOME STATEMENT

	For the year ended March 31,			For the six months ended September 30,		
	2020	**2021**	**2021**	**2020**	**2021**	**2021**
	HK$'000	**HK$'000**	**US$'000**	**HK$'000**	**HK$'000**	**US$'000**
	audited	*audited*	*unaudited*	*unaudited*	*unaudited*	*unaudited*
Revenue	8,694,303	10,345,533	1,328,906	5,131,231	6,472,791	831,444
Cost of sales	(4,935,818)	(6,006,949)	(771,606)	(3,020,749)	(3,947,464)	(507,060)
Gross profit	3,758,485	4,338,584	557,300	2,110,482	2,525,327	324,384
Other income	370,563	376,626	48,378	205,850	212,442	27,288
Selling and distribution costs	(199,135)	(237,057)	(30,450)	(104,522)	(129,995)	(16,698)
Administrative expenses	(735,335)	(775,678)	(99,638)	(374,294)	(430,608)	(55,313)
Other operating expenses	(13,121)	(12,258)	(1,575)	–	–	–
Loss on disposal or deregistration of subsidiaries, net	(348)	(3,162)	(406)	(2,914)	(7,384)	(948)
Operating profit	3,181,109	3,687,055	473,610	1,834,602	2,169,782	278,713
Finance costs	(429,215)	(370,577)	(47,601)	(192,622)	(200,811)	(25,795)
Share of results of associates	412,615	213,143	27,379	72,070	122,394	15,722
Profit before income tax	3,164,509	3,529,621	453,387	1,714,050	2,091,365	268,640
Income tax expense	(657,220)	(867,547)	(111,438)	(446,560)	(512,588)	(65,843)
Profit for the year/period	2,507,289	2,662,074	341,949	1,267,490	1,578,777	202,797
Profit for the year/period attributable to:						
Owners of the Company	1,639,495	1,692,464	217,401	826,479	1,019,696	130,982
Non-controlling interests	867,794	969,610	124,548	441,011	559,081	71,815
	2,507,289	2,662,074	341,949	1,267,490	1,578,777	202,797

OTHER FINANCIAL INFORMATION

	For the year ended March 31,			For the six months ended September 30,		
	2020	2021	2021	2020	2021	2021
	HK$'000	**HK$'000**	**US$'000**	**HK$'000**	**HK$'000**	**US$'000**
	unaudited	*unaudited*	*unaudited*	*unaudited*	*unaudited*	*unaudited*
EBITDA[1]	4,213,499	4,629,932	594,725	2,258,242	2,731,198	350,828
EBITDA Margin[2]	48.5%	44.8%	44.8%	44.0	42.2	42.2

Notes:

(1) EBITDA for any year or period consists of operating profit for the year or period, adding back share of results of associates, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of other intangible assets as stated in our financial statements. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See the section entitled "Description of the Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

The following table reconciles our operating profit for the year or period under HKFRS to our definition of EBITDA for the year or period indicated:

	For the year ended March 31,			For the six months ended September 30,		
	2020	2021	2021	2020	2021	2021
	HK$'000	**HK$'000**	**US$'000**	**HK$'000**	**HK$'000**	**US$'000**
			unaudited	*unaudited*	*unaudited*	*unaudited*
Operating profit	3,181,109	3,687,055	473,610	1,834,602	2,169,782	278,713
Adjustment for:						
Share of results of associates	412,615	213,143	27,379	72,070	122,394	15,722
Depreciation of property, plant and equipment	73,155	82,920	10,651	39,685	58,800	7,553
Depreciation of right-of-use assets	67,475	68,366	8,782	32,086	34,797	4,470
Amortisation of other intangible assets	479,145	578,448	74,303	279,799	345,425	44,371
EBITDA	4,213,499	4,629,932	594,725	2,258,242	2,731,198	350,828

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of March 31,			As of September 30,	
	2020	2021	2021	2021	2021
	HK$'000	HK$'000	US$'000	HK$'000	US$'000
	audited	*audited*	*unaudited*	*unaudited*	*unaudited*
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment	2,224,200	2,862,637	367,712	3,080,060	395,640
Right-of-use assets	1,297,830	1,292,404	166,012	1,337,555	171,812
Investment properties	1,031,042	1,195,821	153,606	1,275,601	163,854
Interests in associates	2,227,812	2,517,567	323,387	2,625,592	337,263
Financial assets at fair value through other comprehensive income	358,285	376,245	48,329	382,101	49,082
Goodwill	1,320,004	1,409,125	181,005	1,439,361	184,889
Other intangible assets	17,558,146	21,654,961	2,781,626	24,304,017	3,121,903
Prepayments, deposits and other receivables	894,863	719,713	92,449	753,470	96,785
Contract assets	670,545	1,049,620	134,826	1,045,349	134,277
Receivables under service concession arrangements	1,031,570	1,083,169	139,135	1,154,293	148,271
	28,614,297	34,161,262	4,388,088	37,397,399	4,803,776
Current Assets					
Properties under development	1,505,720	1,826,463	234,613	1,828,067	234,819
Properties held for sale	751,533	732,617	94,106	758,902	97,483
Inventories	630,394	922,325	118,475	1,103,739	141,778
Contract assets	295,993	479,269	61,563	876,325	112,566
Receivables under service concession arrangements	62,361	69,090	8,875	73,847	9,486
Trade and bills receivables	1,324,787	1,071,490	137,635	1,340,847	172,235
Financial assets at fair value through profit or loss[(1)]	292,135	1,035,098	132,961	1,034,330	132,862
Due from non-controlling equity holders of subsidiaries	211,072	268,488	34,488	390,908	50,213
Due from associates	13,411	175,912	22,596	173,154	22,242
Prepayments, deposits and other receivables	1,597,350	1,879,698	241,451	2,233,666	286,919
Pledged deposits	963,236	515,117	66,168	440,651	56,603
Cash and cash equivalents	5,640,664	3,901,218	501,120	4,672,012	600,130
	13,288,656	12,876,785	1,654,051	14,926,448	1,917,334

(1) Includes wealth management products and structured deposits issued by licensed banks of HKD292.1 million, HKD797.6 million (USD102.5 million) and HKD734.9 million (USD94.4 million) as of March 31, 2020 and 2021 and September 30, 2021.

	As of March 31,			As of September 30,	
	2020	2021	2021	2021	2021
	HK$'000	HK$'000	US$'000	HK$'000	US$'000
	audited	*audited*	*unaudited*	*unaudited*	*unaudited*
Current Liabilities					
Lease liabilities	30,966	30,531	3,922	32,990	4,238
Contract liabilities	906,157	1,099,264	141,203	1,038,062	133,341
Trade and bills payables	3,106,708	3,759,730	482,945	4,506,216	578,833
Accrued liabilities, deposits received and other payables	2,482,964	2,148,055	275,922	2,626,361	337,362
Due to associates	121,805	64,772	8,320	84,737	10,885
Borrowings	4,090,990	5,261,847	675,896	4,853,167	623,400
Due to non-controlling equity holders of subsidiaries	163,642	208,074	26,728	333,603	42,852
Provision for tax	1,432,744	1,974,885	253,678	2,295,359	294,844
	12,335,976	14,547,158	1,868,614	15,770,495	2,025,754
Net current assets/(liabilities)	952,680	(1,670,373)	(214,563)	(844,047)	(108,420)
Total assets less current liabilities	29,566,977	32,490,889	4,173,525	36,553,352	4,695,357
Non-Current Liabilities					
Borrowings	13,298,027	13,167,026	1,691,333	14,953,952	1,920,867
Lease liabilities	335,379	329,048	42,267	335,917	43,149
Contract liabilities	276,453	310,135	39,838	343,786	44,160
Due to non-controlling equity holders of subsidiaries	412,979	392,139	50,371	676,749	86,930
Deferred government grants	202,213	243,127	31,230	243,923	31,332
Deferred tax liabilities	943,423	1,099,386	141,218	1,210,239	155,458
	15,468,474	15,540,861	1,996,257	17,764,566	2,281,897
Net assets	14,098,503	16,950,028	2,177,268	18,788,786	2,413,460
EQUITY					
Equity attributable to owners of the Company					
Share capital	16,040	15,849	2,036	16,323	2,097
Reserves	8,491,670	10,496,694	1,348,323	11,754,511	1,509,892
	8,507,710	10,512,543	1,350,359	11,770,834	1,511,989
Non-controlling interests	5,590,793	6,437,485	826,909	7,017,952	901,471
Total Equity	14,098,503	16,950,028	2,177,268	18,788,786	2,413,460

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before investing in the New Notes. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the New Notes, and you could lose all or part of your investment.

Risks Associated with Our Business

Water shortages and restrictions on the use or supply of water could adversely affect our business.

In the event of water shortages, additional costs may be incurred in order to provide emergency reinforcement to supplies in areas of shortage which may adversely affect our business, financial condition and results of operations. In addition, government restrictions on the use or supply of water may adversely affect our turnover and, in very extreme circumstances, may lead to significant compensation becoming due to customers because of interruptions to supply, both of which could adversely affect our business, financial condition and results of operations.

Our water supply business is subject to tariff payments and adjustments.

Revenue from our water supply business consists primarily of tariff. Adjustments to tariffs are generally subject to approvals by the relevant government authorities in the PRC and applications for upward adjustments to the tariffs may usually be made in the case of increases in key costs including raw material prices, labor costs and electricity charges. In the event that there is any increase in such key costs, the relevant government authorities may not approve our applications for increasing the tariffs to reflect such increase in costs. Furthermore, even if the relevant government authorities agree to increase the tariff, such increase may not fully and timely reflect the increase in our actual costs.

Increased environmental standards may result in increased costs for us.

With increased importance being placed on environmental protection and sustainable development as part of national policy, environmental standards imposed by laws and regulations are expected to become more stringent. While this regulatory development is expected to result in business opportunities us, such increased standards may also result in increased costs in delivering our services. We may, for example, be required to invest in better technology in order to meet higher water and sewage treatment standards while achieving efficiency at the same time. Further, the increase in the breadth and depth of environmental protection laws may also lead to increased compliance costs in our operations.

Sales of water in traditional water sale areas may decline.

The decline of manufacturing activities in some traditional water supply areas where we operate has led to a decrease in sales volume of water. At the same time, awareness of water conservation may gradually affect our sales volume. We are exploring expansion into surrounding markets, including areas of potential customers (such as development districts, counties and rural areas) and newly-built residential communities. However, if we fail to expand into new business areas or to adapt our business model, our business, financial condition and results of operations may be adversely affected.

Pollution may have adverse effects on our water supply business.

Water is a resource and a raw material in the water industry and the quality of raw water has a significant impact on water production. There has been an increase in water pollution in certain cities. Such water pollution is caused by various factors, including but not limited to the discharge of untreated sewage directly into the water body. In the event that raw water is contaminated by pollutants, we are required to undertake additional technical procedures to treat such raw water to generate clean drinking water, resulting in increased production costs. If the raw water is contaminated by pollutants that we are unable to treat, we will not be able to deliver our water services, which could have a material adverse effect on our business, financial condition and results of operations. In addition, our reputation and ability to obtain new projects may be negatively affected.

We are facing increasing competition.

Competition is increasing in the water and environmental business in the PRC in line with the development of small and medium towns and cities and the inner regions of the PRC. Competition is intense among the four main types of water supply companies in the PRC, namely, foreign water groups, investment companies, restructured state-owned enterprises and private undertakings. We enjoy certain competitive advantages as one of the leading operators in the industry by virtue of our technical expertise, resources and brand recognition. However, we may not be able to maintain our current competitive position. If we lose our competitive advantage, we may not succeed in securing new projects at the existing rate, which may materially and adversely affect our business, prospects, financial condition and results of operations.

We may not be able to manage future rapid growth, which could put significant strain on our managerial, operational and financial resources.

Our business and operations have grown steadily in recent years. Our revenue increased by 19.0% from HK$8.7 billion for the year ended March 31, 2020 to HK$10.3 billion for the year ended March 31, 2021. Our business growth could put significant strain on our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to effectively implement and improve management, operational and financial information systems on a timely basis and to expand, train, motivate and manage our workforce. Our personnel, systems, procedures and controls may not be adequate to support its future growth. Failure to manage our expansion effectively may lead to increased costs, a decline in revenue and reduced profitability, which in turn will affect our business, financial condition and results of operations.

Failure to achieve the projected utilization of the facilities we operate may adversely affect our results of operations.

Each of our projects has been or will be built to a specified design capacity in accordance with the terms of the relevant concession agreement. Depending on the growth in the population and level of industrialization in the area serviced by the relevant facilities, the facilities we operate may not be able to achieve the forecast utilization of their design capacity, which may adversely affect our results of operations. If the facilities we operate are not fully utilized to their designed capacities, we may not generate the revenue and profit we had expected from the relevant projects and our business, prospects, financial condition and results of operations may be adversely affected.

We are subject to risks associated with technological changes.

There are rapid changes and improvements in the technology and equipment for water supply, sewage treatment and waste treatment. Our services, products and technologies must pass rigorous testing and field trials, which can be time-consuming and expensive. The commencement and completion of the tests and field trials are subject to various risks such as delays in producing or failure to produce test results, data or analysis, inadequate or inconclusive results, changes in regulatory policies or industry standards or delays by government or regulatory authorities. Changes in regulations or standards for water supply, sewage treatment and waste treatment in the regions where we conduct our business may also necessitate the use of new technologies or the improvement of its existing technologies. Any failure to adopt, develop or implement new technologies may materially and adversely affect our business, prospects, financial condition and results of operations.

Rising costs may reduce our profit.

The costs of raw water and raw materials, electricity costs, labor costs and other costs incurred in our production process and operations have been increasing in recent years. We strive to improve our technological capabilities, which in turn would lower costs to counter the effects of rising prices. In the event technological innovations and our other cost saving measures fail to mitigate the effect of rising prices and we are unable to increase the tariffs to offset such effect, our profitability may be materially and adversely affected.

We are required to comply with environmental laws and regulations, and we could be exposed to risk relating to environmental and health and safety issues.

We are required to comply with numerous national and local laws and regulations in China, including ones that require us to obtain licenses and/or approvals, relating to the protection of the environment and land use which are constantly changing. The requirements to obtain such licenses may be made more stringent in the future and such licenses may not be renewed when they expire. We are currently in the process of obtaining the relevant licenses for certain of our existing licenses relating to the protection of the environment. Failure to obtain any such licenses or to comply with any environmental laws and regulations by us could have a material adverse effect on us, including closure of individual facilities not in compliance, as well as the imposition of civil or criminal liability and the imposition of liens or fines, and expenditures to bring its facilities into compliance. In addition, compliance with new environmental laws and regulations may result in significantly increased costs for us.

In addition, our water resources, water supply, and water plant development operations could expose us to risk of substantial liability relating to environmental and health and safety issues, such as those resulting from discharge of pollutants into the environment, the handling, storage and disposal of solid or hazardous materials or waste and the investigation and remediation of contaminated sites. We may be responsible for the investigation and remediation of environmental conditions at currently and formerly operated sites. We may also be subject to associated liabilities, including liabilities for natural resource damage, third-party property damage or personal injury resulting from lawsuits brought by the government or private litigants as a result of our activities. In the course of our operations, hazardous waste may be generated at third party-owned or operated sites, and hazardous waste may be disposed of or treated as third-party-owned or operated disposal sites. If those sites become contaminated, we could also be held responsible for the cost of investigation and remediation of such sites, any associated natural resource damage, and civil or criminal fines or penalties.

We may fail to obtain or renew required government approvals, permits and licenses for our operating activities.

We are required to obtain certain government approvals, permits and licenses for our operating activities. Our ability to carry on business is therefore subject to our ability to obtain, and the PRC government's willingness to issue, renew and not revoke, such requisite approvals, permits and licenses. We are in the process of applying for the issuance or extension of the governmental licenses or permits required for the operations of certain of our projects including, without limitation, certain water intake permits and the health permits. In addition, the construction of water infrastructure require various governmental approvals, licenses or permits including but not limited to project verification approvals, planning permits, construction permits and certificates or confirmations of completion and acceptance. We are currently in the process of applying for the relevant governmental approvals or permits for the construction of certain of our projects.

We may not be able to obtain or renew its existing approvals, permits and licenses on commercially reasonable terms in a timely manner, or at all, and such approvals, permits and licenses may be revoked by the relevant authorities. We could be subject to fines or penalties imposed by the relevant government authorities, or required to cease the construction or operation of certain of our projects due to non-compliance with the terms of the government approvals, permits and licenses. Any such fines, penalties or orders for the cessation of construction or operation could materially and adversely affect our business, financial condition and results of operations.

We face risks related to natural disasters, epidemics or pandemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, we could be materially and adversely affected by the COVID-19 pandemic. Our insurance policies may not provide adequate coverage for the related losses.

Significant damage or other impediments to water supply, sewage treatment and waste treatment systems managed by us as a result of:

- natural disasters, such as, but not limited to, earthquakes, floods, prolonged droughts and typhoons;

- Epidemics or pandemics, such as the outbreak of COVID-19, Severe Acute Respiratory Syndrome ("SARS"), the H1N1 influenza, also known as swine flu, or avian influenza;

- human-error in operating the water supply, sewage treatment and waste treatment systems; and

- protests and other forms of opposition by environmental interest groups, such as lawsuits or demonstrations, among others, may materially harm our business, financial condition and results of operations.

For example, since late 2019, a novel strain of coronavirus, or COVID-19, was reported to have spread throughout China and globally. The Chinese central government and local governments have introduced various temporary measures to contain the COVID-19 pandemic, such as extension of the Lunar New Year holiday and travel restrictions, which could impact national and local economy to different degrees. As a result, our operations may be materially and adversely affected by potential delays in or reductions of business activities and commercial transactions and by general uncertainties surrounding the duration of the government's extended business and travel restrictions.

In addition, our business operations could be disrupted if any of our employees is suspected of contacting the COVID-19 or any other epidemic disease, since our employees could be quarantined and/or our offices be shut down for disinfection. Our business operations may also be materially adversely affected if our suppliers or other business partners are affected by the COVID-19. The potential downturn brought by and the duration of the COVID-19 may be difficult to assess or predict where actual effects will depend on many factors beyond our control. The extent to which the COVID-19 impacts our business, financial condition and results of operations remains uncertain, and we are closely monitoring its impact on us. Nevertheless, our business, financial condition, results of operations and prospects could be materially and adversely affected directly, as well as to the extent that the COVID-19 or any other epidemic harms the Chinese economy in general.

We maintain insurance against some, but not all, of these events, and our insurance may not be adequate to cover any direct or indirect losses or liabilities we may suffer.

Our ability to grow will be harmed if we are unable to retain the continued services of its key technical and management personnel and to identify, hire and retain additional qualified personnel.

There is strong competition for qualified technical and management personnel in the sectors in which we operate. We may not be able to continue to attract and retain qualified technical and management personnel, such as engineers, architects and project managers, who are necessary for the development of our business or to replace qualified personnel. Our planned growth may place increased demands on our resources and will likely require the addition of technical and management personnel and the development of additional expertise by existing personnel. Loss of the services of, or failure to recruit, key technical and management personnel could limit our ability to complete existing projects successfully and to engage in new projects.

We may not be able to secure new construction projects.

A portion of our revenue is generated from our installation and construction services for water projects. Although we expect our construction projects to continue to contribute revenue in subsequent periods, we may not be able to secure additional construction projects, which could adversely affect our financial condition and results of operations.

Work stoppage and other labor relations matters may have an adverse effect on our financial results.

We believe that we have a good working relationship with our employees and have not experienced any material work stoppages, strikes or other labor problems in the past. However, any of such events may arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience a significant disruption of operations and/or higher ongoing labor costs, which may have a material adverse effect on our business, financial condition and results of operations.

Our customers may make claims against us and/or terminate ours services in whole or in part prematurely should we breach the terms of agreements with such customers or fail to implement projects which fully satisfy customer requirements and expectations.

We are engaged in various comprehensive renovation projects for the construction of water infrastructure in the PRC and BOT projects for the construction of water plants (including sewage treatment and water supply plants). The construction of the above projects may be delayed and these projects may not be completed to the requirements and expectations of our customers. Failure to complete projects on time or fully in compliance with the requirements and expectations of our customers, or the delivery by us of defective systems or products, may lead to claims being brought against us by our customers and/or termination of its services in whole or in part by our customers prematurely. Unsatisfactory design or workmanship, staff turnover, human error, failure to deliver services on time, default or breach of contract by our subcontractors or misinterpretation of or failure to adhere to regulations and procedures could result in delays or failures in the construction, testing or commissioning of any water plant. As a result, we could experience delays in the recognition of its revenue from such projects and we may not receive payments from relevant customers, which could adversely affect our cash flow. This in turn could have a material adverse effect on our business, prospects, financial condition and results of operations. In addition, our reputation may be negatively affected which could negatively affect our ability to obtain new projects.

Our businesses require substantial capital investment.

We will require additional financing to fund capital expenditures, to support the future growth of our business and/or to refinance existing debt obligations. We have historically required and expect that in the future will continue to require substantial external financing to fund our capital expenditures. We may resort to equity capital markets to obtain further funding. Our ability to arrange external financing and the cost of such financing are dependent on numerous factors, including general economic and market conditions in debt and equity capital markets, interest rates, credit availability from banks or other lenders, investor confidence in us, success of our businesses, and political and economic conditions in the PRC generally. Additional financing, either on a short-term or a long-term basis, may not be made available or, if available, such financing may not be obtained on terms favorable to us.

Our sewage treatment and water supply projects are capital intensive with long payback periods and we may require additional funding for these projects.

We are engaged in the water and environmental businesses which comprise sewage treatment, water supply and waste treatment projects primarily on a BOT basis and a TOT basis which typically require significant initial cash outlays and feature long payback periods. Our BOT projects require us to make substantial financial investments during the construction phase of the projects, which typically lasts approximately 12 to 24 months. We are responsible for the costs of construction of facilities for sewage treatment, water supply or waste treatment. Our TOT projects require us to pay the proprietors of sewage treatment, water supply or waste treatment facilities for the right to operate such facilities during the concession period (the "TOT Operation Right"). The concession periods for our BOT and TOT projects generally range from 20 to 30 years, during which we bear the operation costs and the costs of maintenance and repair of the facilities. After the construction is completed and commercial operations of the relevant facilities have commenced (in the case of BOT projects), and upon obtaining the TOT Operation Right (in the case of TOT projects), we receive regular, typically monthly, tariff payments from our customers during the concession term.

Due to the capital intensive and long term nature of our sewage treatment and projects, we may not be able to secure adequate funding or refinancing for these projects on terms that are acceptable to us or at all and these projects may not achieve their initial expected returns. Historically, we have financed our capital expenditure from various sources, including cash flow from operations and bank financing. Our ability to arrange for external financing and the cost of such financing are dependent on various factors, including general economic conditions, interest rates, credit availability from banks or other lenders. If we fail to obtain short-term or long-term project financing or refinancing for such projects in the amount budgeted or at all, we may need to finance these projects from our internal resources, which may strain our resources for developing or acquiring other projects and other corporate purposes. Additionally, we may fail to properly perform our obligations in respect of these projects as a result of a funding shortage, which may lead to a reduction in our returns and the loss of part or all of our initial capital investments. This may also have a material adverse effect on our business, prospects, financial condition and results of operations.

We typically only receive payment in connection with the revenue recognized from the construction of our BOT projects on receipt of cash tariff payments during the operational phase of these BOT projects.

For each of our BOT projects, once the facility is operational, we receive regular cash payments from the relevant customers based on the contractually agreed pricing formula and the volume of sewage treated or water supplied (or the contractually guaranteed minimum volume, if any). Such cash payments are usually made monthly. We usually do not receive payments from our customers during the construction phase of these projects. Service concession receivables for BOT projects are settled during the concession periods of the relevant BOT projects, which can be up to 30 years. The service concession receivables may not be fully settled before the expiry of the relevant concession period, which may cause an impairment of our financial assets and adversely affect our results of operations.

We are subject to various completion risks with respect to our construction projects which could give rise to significant delays or additional costs.

The construction of water and waste treatment facilities involves many potential risks, including, but not limited to, changes in construction design and opposition by relevant interest groups to the development of land and construction of industrial areas. Any such risks, if realized, could result in cost overruns which may adversely affect our financial conditions and results of operations.

In addition, protests and other forms of opposition by relevant interest groups, such as lawsuits or demonstrations, may delay our construction projects. Lawsuits and demonstrations may result in significant delays and increased costs for our construction projects, and materially and adversely affect our financial condition and results of operations.

We are exposed to risks associated with entering into contracts with PRC government and other public organizations, and its performance may be significantly affected by government spending on infrastructure and other projects.

For certain of our water supply construction services and our sewage treatment construction services, our customers include agencies or entities owned or otherwise controlled by the PRC government. To the extent that our projects are funded by the PRC government, they may be subject to delays or changes as a result of the changes in the PRC government's budgets or for other policy considerations. The PRC government's spending on infrastructure and other construction projects has historically been, and will continue to be, cyclical in nature and vulnerable to fluctuations in the PRC's economic conditions and changes in the PRC government's policies.

We have exposure to the risks associated with contracting with public organizations. In addition, any disputes with PRC governmental entities and other public organizations could potentially lead to contract termination if unresolved or may take a considerably longer period of time to resolve than disputes with counterparties in the private sector, and payments due to us from these entities and organizations may be delayed as a result. In some circumstances, PRC governmental entities and public organizations may require us to change our construction methods, equipment or other performance terms or direct us to reconfigure our designs or purchase specific equipment for the relevant project in connection with our engineering and construction projects or undertake additional obligations or change other contractual terms, resulting in increased costs. Resolution of any disagreement with PRC governmental entities and public organizations with respect to such changes may be time-consuming and may also cause us to incur additional costs.

Changes in governmental budgets and policies relating to our projects could also result in delays in project commencement or completion, adverse changes to such projects or a withholding of, or delay in, payment to us. If a government entity or other public organization terminates a contract with us, our order book could be reduced and our business plans may be materially and adversely affected.

We are subject to project development risks and cost overruns for BOT projects, and delays may adversely affect our results of operations.

There are a number of construction, financing, operating and other risks associated with BOT project developments in the PRC. Projects of the types undertaken by us in our water supply construction services and our sewage treatment construction services, typically require substantial capital expenditures during the construction phase and usually take many years before they become operational and generate revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, natural disasters, labor disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances. Any of these could give rise to delays in the completion of construction and/or cost overruns. Construction delays can result in loss of revenues. The failure to complete construction according to its specifications may result in liabilities, reduced efficiency and lower financial returns. Although the majority of our infrastructure projects have been completed on schedule, this may not remain the case and future infrastructure projects may not be completed on time, or at all, and generate satisfactory returns.

The global financial markets have experienced significant slowdown and volatility during the past few years and any continued deterioration may adversely affect our business and results of operations.

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn affected various industries in the PRC. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets.

In June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). The United Kingdom ceased to be a member of the EU on January 31, 2020. During the period from that date to December 31, 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the "TCA"). On December 30, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application for a limited period (the "Provisional Period"), pending ratification of the TCA by the European Parliament. The Provisional Period commenced on January 1, 2021, and is expected to end no later than April 30, 2021. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets. The effect of such potential events on us or the Notes is impossible to predict; but they could significantly impact volatility, liquidity and/or the market value of securities, including the Notes, and could have a material adverse effect on our ability to make payments on the Notes.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains relatively high. In Asia and other emerging markets, some countries are expecting to increase inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow and outflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty.

China's economic growth may slowdown due to weakened exports and nationwide structural reforms. Moreover, as the PRC is transitioning to a consumption-based economy, the forecast growth rate of the PRC is expected to be significantly lower than its average growth rate over the past thirty years. The recent developments surrounding the trade war with the United States may also weaken exports and impact China's economic growth negatively. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and

Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the PRC industry remains uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected.

The above and other issues resulting from the global economic slowdown or uncertainty and financial market turmoil could, in turn, materially adversely affect our business, prospects, financial condition or results of operations. In addition, any further tightening of liquidity in the global financial markets may negatively affect our access to capital and liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, our business, financial condition and results of operations may likely be adversely affected.

We may be deemed a "PRC resident enterprise" under the EIT Law and be subject to taxation on our worldwide income.

Under the EIT Law, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The Implementation Regulations for the EIT Law define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there is no clear standard published by the tax authorities to determine whether we are a PRC resident enterprise for tax purposes.

Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we take the position that we are not a PRC resident enterprise for tax purposes. The tax authorities may not agree with our position. If we are deemed to be a PRC resident enterprise for EIT purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income, which may have an adverse effect on our financial position.

We do not possess valid land use rights, building ownership certificates or valid leases to certain properties.

We do not possess valid land use rights or building ownership certificates to certain properties we are using to conduct business. We are in the process of applying for or will apply for the relevant certificates and permits. Such certificates and permits will likely be obtained in a timely manner. However, delay may happen, which may result in a disruption to our business operations and may adversely affect our financial performance. In addition, we leased certain land and buildings from third parties who have not obtained the relevant land use rights or building ownership certificates (as applicable) mainly for office purposes or as housing for some of our employees, and a substantial portion of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC laws. We cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. Furthermore, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties.

Risks Associated with Conducting Business in The PRC

Substantially all of our assets are located in the PRC. Accordingly, its results of operations, financial position and prospects are, to a significant degree, affected by the economic, political and legal developments of the PRC.

Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government could adversely affect our business, prospects, results of operations and financial condition.

Our operating subsidiaries are based in the PRC and therefore, our results of operations and financial condition will be affected to a significant extent by economic, political, legal developments and government policies in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to structure, level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial position and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. The PRC economy has grown significantly in recent decades, but we cannot assure you that this growth will continue or continue at the same pace. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by (i) political instability or changes in social conditions in the PRC, (ii) changes in laws, regulations or policies or the interpretation of laws, regulations or policies, (iii) measures which may be introduced to control inflation or deflation, (iv) changes in the rate or method of taxation, and (v) imposition of additional restrictions on currency conversion and remittances abroad.

If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. Our business, financial condition and results of operations may be adversely affected by:

- changes in the PRC political, economic and social conditions;
- changes in policies of the PRC government, including changes in policies in relation to the Group's business segments;
- changes in laws and regulation or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- a reduction in tariff protection and other important restrictions.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to us.

Our subsidiaries are generally subject to laws and regulations applicable to domestic companies as well as foreign investment in the PRC. The PRC legal system is based on written statutes. Prior court decisions may only be cited for reference. Since there are several relatively new PRC laws and regulations and the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules may be limited and may not always be uniform and enforcement of these laws, regulations and rules may involve uncertainties, and may not be as consistent across the PRC or predictable as in other more developed jurisdictions. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than its competitors, or we may receive interpretations that are inconsistent with its interpretations. These uncertainties may impede our ability to enforce the contracts it has entered into with its customers, suppliers and business partners. We are unable to predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. These uncertainties may limit legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention and have a material adverse effect on our business, prospects, financial condition and results of operations.

The payment of dividends by our operating subsidiaries in the PRC is subject to restrictions under the PRC law.

We operate our business mainly through operating subsidiaries in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. The PRC law requires foreign invested enterprises, including the Company's subsidiaries in the PRC, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund our operations and to service our indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from our subsidiaries may impact our ability to fund its operations and to service its indebtedness.

Higher labor costs and inflation in the PRC may adversely affect our business and its profitability.

Labor costs in the PRC have also risen in recent years as a result of the enactment of new labor laws and social development. In addition, inflation in the PRC has increased. According to the National Bureau of Statistics of the PRC, the consumer price index in the PRC increased 0.2% on a year-on-year basis in December of 2020. Because we purchase raw materials from suppliers in the PRC, higher labor cost and inflation in the PRC increases the costs of labor and raw materials we must purchase for water treatment. We expect our production staff to increase, rising labor costs may increase our operating costs and partially erode the cost advantage of our PRC-based operations and therefore negatively impact our profitability.

It may be difficult to effect service of legal process, enforce foreign judgments or bring original actions in the PRC based on other foreign laws against us, our directors or senior managers in the PRC.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process upon those persons in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Facts and statistics in this offering memorandum relating to the PRC economy may be inaccurate.

Some of the facts and statistics in this offering memorandum relating to the PRC, the PRC economy and related industry sectors are derived from various publications and obtained in communications with various agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. Such facts and statistics have not been independently verified by the Company, the Initial Purchasers nor any of their respective affiliates or advisors and, therefore, neither the Company nor any of the Initial Purchasers makes any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics in offering memorandum relating to the PRC economy and related industry sectors may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, such information may not be stated or compiled on the same basis or with the same degree of accuracy as may be the case in other countries. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

Fluctuations in the value of the Renminbi and governmental control of currency conversion may limit our ability to use capital effectively.

Substantially all of our revenues are generated by our subsidiaries in the PRC and are denominated in Renminbi. Fluctuations in the exchange rates between the Renminbi and the Hong Kong dollar or U.S. dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. In August 2015, PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign exchange demand and supply as well as changes in major currency rates. The value of the Renminbi depreciated against the U.S. dollar approximately 5.7% in 2018 and 1.2% in 2019, but appreciated against the U.S. dollar approximately 6.2% in 2020. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or U.S. dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that we will have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. But we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. Foreign exchange transactions under the capital account, however, must be directly reviewed and handled by banks in accordance with the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "Circular 13"), and the SAFE and its branches must perform indirect regulation over the foreign exchange registration via banks. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain adequate foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

Risks Relating to the Notes

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.

We are a holding company with no material operations. We conduct a significant majority of our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries or by certain other Non-Guarantor Subsidiaries (as defined in the section entitled "Description of the Notes"). Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries. The Subsidiary Guarantors do not have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of September 30, 2021, our Non-Guarantor Subsidiaries had total indebtedness in the amount of HK$8.8 billion (US$1.1 billion), capital commitments of approximately HK$553.9 million (US$71.2 million) for the purchase of other intangible assets, property, plant and equipment and no material contingent liabilities. The Notes and the Indenture permit us, the Subsidiary Guarantors and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor would have priority as to our assets or the assets of such Subsidiary Guarantor securing the related obligations over claims of holders of the Notes.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

We now have, and will continue to have after the offering of the New Notes, a substantial amount of indebtedness. Our total borrowings as of March 31, 2020 and 2021 and as of September 30, 2021, were HK$17.4 billion, HK$18.4 billion (US$2.4 billion) and HK$19.8 billion (US$2.5 billion), respectively.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If our onshore subsidiaries incur additional debt, the ratings assigned to the Notes by any rating agency may be adversely affected which could adversely affect the market price of the Notes. See "—The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future."

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, or if our guarantors are unable to perform their guarantee obligations and we are unable to secure alternative guarantees, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We may not be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled "Description of Other Material Indebtedness." Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

We may in the future designate other subsidiaries, as Unrestricted Subsidiaries under the Indenture, which will not be subject to various covenants under the Indenture.

Subject to certain conditions, including, among other things, the absence of a continuing default at the time of and after giving effect to such designation, we may designate any Restricted Subsidiary as an Unrestricted Subsidiary in the future. The effects of designation of an entity as an Unrestricted Subsidiary include, but are not limited to:

- the business, assets and liabilities of such entity will no longer be part of the credit underlying the Notes;
- such entity will not be subject to the restrictive covenants applicable to Restricted Subsidiaries under the Indenture;
- as applicable, the Subsidiary Guarantees of such entity may be released; and
- interest expenses on Indebtedness (as defined under "Description of the Notes—Definitions") of such entity will not be included in the calculation of our Consolidated Interest Expense (as defined under "Description of the Notes—Definitions"), other than such interest expenses on Indebtedness that is Guaranteed by the Company or a Restricted Subsidiary.

As a result of any such designation, the value of assets subject to the restrictive covenants under the Indenture may decrease and the market pricing and trading of the Notes may be materially affected.

The Notes are unsecured obligations.

As the Notes are unsecured obligations, their repayment may be compromised if:

- we enter into bankruptcy, liquidation, reorganization or other winding-up proceedings;
- there is a default in payment under our future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of these events occur, our assets may not be sufficient to pay, or support the payment of, amounts due on the Notes.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries are subject to certain dividend distribution limitations. See "Description of Other Material Indebtedness." In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%, subject to the approvals of competent PRC tax authorities. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, we currently have given offshore shareholder loans to our PRC subsidiaries and may continue to engage in such offshore lending in the future, to finance the operations of our PRC subsidiaries. The market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we may not have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly the U.S. dollar.

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the Hong Kong dollar by approximately 24.1% and 23.9%, respectively, from July 21, 2005 to September 30, 2016. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

We may not be able to repurchase the Notes upon a Change of Control Triggering Event.

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See the section entitled "Description of the Notes."

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of a Change of Control for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

The transfer of the Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Subsidiary Guarantees have not been registered under, and we are not obligated to register the Notes or the Subsidiary Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. See the section entitled "Transfer Restrictions." We have not agreed to or otherwise undertaken to register the Notes and the Subsidiary Guarantees (including by way of an exchange offer), and we have no intention to do so.

Interest paid by us to our foreign investors and gain on the sale of our Notes may be subject to withholding taxes under PRC tax laws.

We may be treated as a PRC resident enterprise for PRC tax purposes. See "—Risks Associated with Our Business—We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income." If we are deemed a PRC resident enterprise, the interest payable on the Notes may be considered to be sourced within China. In that case, PRC income tax at the rate of 10% will be withheld from interest paid by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Furthermore, if we are considered a PRC resident enterprise and the relevant PRC tax authorities consider interest we pay with respect to the Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such interest or gains earned by non-resident individuals may be subject to PRC income tax (which in the case of interest, may be withheld by us) at a rate of 20%. It is uncertain whether we will be considered a PRC resident enterprise. If we are required under the EIT Law to withhold PRC income tax on interest paid to our non-PRC investors, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of the Notes, the value of your investment in the Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC resident enterprise, holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

We may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC "resident enterprise."

In the event we are treated as a PRC "resident enterprise" under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under "Description of the Notes—Redemption for Taxation Reasons," in the event we are required to pay additional amounts as a result of certain changes in specified tax law, including any change in interpretation or statement of an official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

The Notes are subject to optional redemption by us.

As set forth in "Description of the Notes—Optional Redemption," the Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period.

We may be expected to redeem the Notes when the current financing cost is lower than the interest rate on the Notes. In such case, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the Noteholders. Potential investors should consider reinvestment risk in light of other investments available at that time.

There may be difficulties in enforcing U.S. judgments against us and our management.

The Company is an exempted company continued in Bermuda with limited liability and the Subsidiary Guarantors are all incorporated in non-U.S. jurisdictions. All of assets of the Company and the Subsidiary Guarantors are located outside the United States. In addition, all of the directors and officers of the Company and the Subsidiary Guarantors are nationals or residents of countries other than the United States (principally of the PRC), and all or a substantial portion of such persons' assets are or may be located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process upon us or such persons within the United States or other jurisdictions, or to enforce against us or such persons in such jurisdiction, judgments obtained in courts of that jurisdiction, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. In particular, you should be aware that judgments of U.S. courts based upon the civil liability provisions of the federal securities laws of the United States may not be enforceable in Bermuda, BVI, Cayman Islands, Hong Kong or PRC courts and there is doubt as to whether Bermuda, BVI, Cayman Islands, Hong Kong or PRC courts will enter judgments in original actions brought in Bermuda, BVI, Cayman Islands, Hong Kong or PRC courts (as the case may be) based solely upon the civil liability provisions of the federal securities laws of the United States.

The insolvency laws of Bermuda, British Virgin Islands, Cayman Islands, Hong Kong and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar.

Because we are continued under the laws of Bermuda, an insolvency proceeding relating to us or any such Subsidiary Guarantor, even if brought in the United States, would likely involve insolvency laws of Bermuda, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our other Subsidiary Guarantors are incorporated or may be incorporated in the BVI, Cayman Islands, or Hong Kong and the insolvency laws of the BVI, Cayman Islands, and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar. The differences in insolvency laws across jurisdictions engender a multitude of issues, especially with respect to the recognition of the claims of foreign creditors and recognition and enforcement of foreign insolvency proceedings and judgments.

We conduct a significant majority of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

If we fail to complete the post-issuance filing to the NDRC in connection with the Notes, we may be subjected to penalties or other enforcement actions by the NDRC or relevant PRC government authorities.

We have registered the issuance of the Notes with the NDRC with reference to the NDRC Notice and are required to file a post-issuance report with the NDRC within 10 working days in the PRC pursuant to the registration certificate. There are still uncertainties regarding the interpretation of NDRC Notice, implementation and enforcement by the NDRC. If we fail to complete such filing in accordance with the relevant requirements due to any change in such regulation, we may be subjected to penalties or other enforcement actions by relevant PRC government authorities. In addition, the administration of the NDRC Notice may be subject to a certain degree of executive and policy discretion by the NDRC. However, there is no assurance that we will be able to comply with the NDRC requirements to provide the notification of the particulars of the issue of the Notes to the NDRC within the prescribed timeframe. The NDRC Notice does not expressly state the legal consequences of non-compliance with such post-issue notification requirements, therefore there is no assurance that the failure to comply with the NDRC requirements would not result in any adverse consequences for us, the Notes or the investors in the Notes. There is also no assurance that the registration with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Notes in the PRC.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, our assets and cash flow may not be sufficient to repay in full all of our indebtedness and we may not be able to find alternative financing. Even if we could obtain alternative financing, it may not be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.

The Indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures and make a certain amount of dividend payments even when we could not incur at least US$1.00 of indebtedness under the Fixed Charge Coverage Ratio test under the covenant described under "Description of the Notes—Limitation on Indebtedness".

In light of land prices, sizes of projects, project locations and other factors, we may from time to time consider purchasing or constructing and developing water plants jointly with other water companies or government entities. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures, at least 10% of the voting equity interest of which is held by us immediately after investments, primarily engaged in permitted business up to an aggregate amount equal to 10% of our total assets. See "Description of the Notes."

In addition, under the terms of the Notes, in any fiscal year, we will be permitted to make dividend payment on our Common Stock in an aggregate amount of up to 15% of the profit for the year as shown on our consolidated income statement of that fiscal year, even if, at the time of such dividend payment, we could not incur at least US$1.00 of indebtedness under the Fixed Charge Coverage Ratio test under the covenant described under "Description of the Notes—Limitation on Indebtedness."

A trading market for the New Notes may not develop, and there are restrictions on resale of the New Notes.

The New Notes are a new issue of securities for which there is currently no trading market. Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. However, we may not obtain or be able to maintain a listing of the New Notes on the SGX-ST, or even if listed, a liquid trading market in the New Notes may not develop. We have been advised that the Initial Purchasers intend to make a market in the New Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the New Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your New Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "Transfer Restrictions." An active trading market for the New Notes may not develop or continue or maintain liquidity. If an active trading market does not develop or is not continued, the market price and liquidity of the New Notes could be adversely affected.

The ratings assigned to the New Notes and our corporate ratings may be lowered or withdrawn in the future.

The New Notes are expected to be assigned a rating of "Ba1" by Moody's and "BB+" by S&P. The ratings address our ability to perform our obligations under the terms of the New Notes and credit risks in determining the likelihood that payments will be made when due under the New Notes. In addition, we expect to be assigned a corporate family rating of "Ba1 Stable" by Moody's Investors Service and a long-term corporate rating of "BB+ Negative" by Standard & Poor's Global Rating Services. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A rating may not remain for any given period of time and a rating may be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the New Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the New Notes may adversely affect the market price of the New Notes.

Certain transactions that constitute "connected transactions" under the Listing Rules will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant.

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a "connected person" of such listed company, on the other hand, is a "connected transaction" that, if the value of such transaction exceeds the applicable de minimis thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of "connected person" to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of "connected person" also captures "associates," which include, among others, (a) any subsidiary of such "connected person," (b) any holding company of such "connected person" and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

The liquidity and price of the New Notes following the offering may be volatile.

The price and trading volume of the New Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the New Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the New Notes. These developments may occur in the future.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between HKFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

We are subject to continuing listing obligations applicable to companies with debt securities listed on the SGX-ST, and such requirements may be different from those applicable to companies with debt securities listed in in certain other countries.

We are subject to continuing listing obligations applicable to companies with debt securities listed on the SGX-ST. Such disclosure requirements imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is made available pursuant to the listing of the Notes on the SGX-ST may not correspond to what investors in the Notes are accustomed to.

The Notes may not be a suitable investment for all investors seeking exposure to green assets.

We have developed our Green Finance Framework and intend to adopt certain obligations with respect to the issue of Green Bonds as described in the section headed "Notes Being Issued as Green Bonds." We intend to use Green Bonds to fund new and existing projects and businesses with environmental benefits in alignment with the Green Bond Principles 2018. We cannot guarantee that we will be able to comply with the obligations as set out in the Green Finance Framework. However, it will not be an event of default under the terms of the Notes if we fail to comply with such obligations. Such failure may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. Therefore, the Notes may not be a suitable investment for all investors seeking exposure to green assets.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Notes represented by the global certificate will trade in book-entry form only, and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Notes and credited by such participants to indirect participants. After payment to the nominee of the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Noteholder under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Noteholders. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

Risks Relating to the Subsidiary Guarantees

Our initial Subsidiary Guarantors do not currently have significant operations.

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. The Company may elect to have any future restricted subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary (as each term is defined in the section entitled "Description of the Notes")) not provide a Subsidiary Guarantee at the time such entity becomes a restricted subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, provided that, after giving effect to the consolidated assets of such restricted subsidiary, the consolidated assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries or Listed Subsidiaries) do not account for more than 20.0% of our total assets. In addition, certain of our subsidiaries that are guarantors for the 2017 Notes will not guarantee the Notes on the Original Issue Date and for as long as any 2017 Notes remain outstanding, they may continue to guarantee the 2017 Notes without guaranteeing the Notes. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of our Non-Guarantor Subsidiaries, including the PRC subsidiaries. See the section entitled "Description of the Notes-The Subsidiary Guarantees" for a list of the Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. The initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors in the future may not have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so. See the section entitled "—Risks Relating to the Notes—We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in Bermuda, the BVI, Cayman Islands, Hong Kong and other jurisdictions where future Subsidiary Guarantors may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its assets at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured. Given that the measure of insolvency may vary, we cannot assure you that any limitation on measure of insolvency will be effective in preserving the enforceability of any of the Subsidiary Guarantees.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration, and as a result, such guarantee would be rendered void.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee, subordinates such guarantee to other indebtedness of the Subsidiary Guarantor, or holds the Subsidiary Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor, and would solely be creditors of us and any Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. In such an event, after providing for all prior claims, there may not be sufficient assets to satisfy the claims of the holders of the Notes.

Certain facts, forecasts and statistics are derived from publications not independently verified by us, the Initial Purchasers or our respective advisors.

Facts and other statistics in this offering memorandum relating to China's economy and the water industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts, forecasts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other and should not be unduly relied upon. Further, they may not be stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

USE OF PROCEEDS

We estimate that the gross proceeds from this offering will be approximately US$146.8 million. The net proceeds, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be used in the Company's repayment of the 2017 Notes and certain other indebtedness and for financing working capital. Subject to the foregoing, we plan to use an amount equal to the net proceeds from the offering to finance or refinance, in whole or in part, Eligible Green Projects, particularly water supply projects, in accordance with our Green Finance Framework.

NOTES BEING ISSUED AS GREEN BONDS

PURPOSE

Our Green Finance Framework ("GFF" or the "Framework") has been developed to detail how our Group and its subsidiaries intend to issue green financing transactions ("GFT") to fund projects and developments that will deliver environmental benefits to support our business strategy and green and sustainability vision, particularly those related to improving the environmental performance of buildings, landscapes and the communities in which they are located, as well as the health of their respective users.

GFTs may issue bonds, loans and other debt-like financing products where an equivalent amount to the net proceeds are applied to eligible green projects ("Eligible Green Projects") as defined in the Framework.

- Bonds issued under the Framework will be aligned with the ICMA Green Bond Principles 2018 ("GBP") or as they may be subsequently amended.

- Loans issued under the Framework will be aligned to the LMA/APLMA/LSTA Green Loan Principles 2021 ("GLP") or as they may be subsequently amended.

- Other forms of financing may conform to other well-established green or sustainable finance principles as may have been established at the time.

GFTs do not place restrictions on the tenor and currency and can include other terms and conditions including covenants, to reflect our financing strategy and plans as well as the outcome of the commercial discussions between the issuer or borrower and manager, arranger or lender.

GFTs may be issued in any jurisdiction and market reflecting our current and future business needs.

ASSERTIONS FROM MANAGEMENT

Each GFT will adopt procedures for managing (1) use of proceeds, (2) project evaluation and selection, (3) management of proceeds, and (4) reporting, as set out in the Framework. The Framework may be updated to ensure continual alignment with market practices, emerging standards and classification systems.

I. USE OF PROCEEDS

An equivalent amount to the net proceeds from each GFT will be used exclusively to finance or refinance, in whole or in part, the acquisition, construction, development or upgrade of new or existing Eligible Green Projects that meet one or more of the following categories of eligibility as recognised in the GBP/GLP. Refinancing of Eligible Green Projects will have a look-back period of no longer than 36 months from the time of issuance. We are committed to fully allocate the net proceeds of each GFT on a best effort basis within 24 months of issuance.

The Eligible Green Project categories that may be utilised under the Framework, together with associated selection criteria ("Eligibility Criteria") are set out below.

Eligible Green Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
Sustainable Water and Wastewater Management	• Expenditures related to construction, upgrades, renovations or improvements of water supply and wastewater related facilities, infrastructure or systems, including but not limited to: – Water supply plants, pumping stations and distribution network to increase efficiency, accessibility of water delivery system, improve water quality and reduce water leakage – Water monitoring systems to detect water leakage – Drainage pipeline network and sewage treatment plants to reduce pollution	
Renewable Energy	• New or existing investments in or expenditures on renewable energy production units. Renewable energy and energy storage projects can include solar and wind projects	

Exclusionary Criteria

The following sectors and activities will be excluded from Eligible Green Projects:

- Sectors which are prohibited by laws and regulation in China, such as child labour, gambling industry, adult entertainment and corporations which are in association with illegal activities

- Hydro power with installed capacity >20MW

- Nuclear energy

- Coal based energy generation and distribution infrastructure for such energy

- Activities which are in relation to hazardous chemicals and radioactive substance

II. Project Evaluation and Selection

We impose strict environmental and risk management policy during our normal course of business.

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. Environmental Social Management System Working Group ("EWG") has been set up, composed of the senior members including the general manager and representatives from our various departments.

EWG will meet at least every 12 months to discuss and select eligible green projects according to the Eligible Green Projects defined in the Framework. The shortlisted projects will be presented to the board for approval.

EWG will ensure that the selected Eligible Green Project to comply not only with the use of proceeds as set out in the Framework but also the environmental guidelines which are applicable for our group.

In addition, EWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds. In case of divestments or if an Eligible Green Project no longer meets the eligibility criteria, the funds will be reallocated to other Eligible Green Projects.

III. Management of Proceeds

We intend to allocate, over time, an amount equal the net proceeds to finance or refinance Eligible Green Projects, selected in accordance with the eligibility criteria, and using the evaluation and selection process outlined above.

The net proceeds from each GFT will be managed by our finance team and the proceeds from each GFT will be deposited in general funding accounts and will be earmarked to Eligible Green Projects. We will maintain a register to keep track of the use of proceeds for each GFT.

The register will contain the following information:

a. Type of Funding Transaction:

- Key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number)

b. Allocation of Use of Proceeds:

- Name and description of Eligible Green Projects to which the proceeds of the GFT have been allocated in accordance with this Framework

- Amount and date of GFT proceeds allocated to each project

- The remaining balance of unallocated proceeds yet to be earmarked

- Other relevant information such as information of temporary investment for unallocated proceeds

Any balance of issuance proceeds which are not yet allocated to Eligible Green Projects will be held in accordance with our liquidity guidelines for short term time deposits or investments. We commit not to invest unallocated proceeds in carbon intensive activities or any projects that are in conflict with the eligibility criteria under the GFF.

During the life of the GFT issued, if the designated Eligible Green Projects cease to fulfil the eligibility criteria, the net proceeds will be re-allocated to replacement Eligible Green Projects that comply with the eligibility criteria, as soon as reasonably practicable. We strive to maintain an amount of Eligible Green Projects at least equal of the total net proceeds of all GFT outstandings.

Additionally, if any material and critical controversies emerge in relation to a specific project, we commit to substitute that project with an alternative Eligible Green Project.

IV. Reporting

We will provide information on the allocation of the net proceeds from each GFT in our annual report, ESG report or website. Such information will be provided on an annual basis until all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date.

The information disclosed will contain the following details:

Allocation Reporting

- Details of each GFT that is outstanding
- Aggregate amount of proceeds from each GFT that has been allocated to Eligible Green Projects
- Share of financing vs refinancing
- Balance of unallocated proceeds from each GFT
- Examples of Eligible Green Projects (subject to confidentiality disclosures):
    - The aggregate amount allocated to various Eligible Green Projects
    - The remaining balance of funds which have not yet been allocated and type of temporary investment

Impact Reporting

Where possible, we will report on the environmental and social impacts of the Eligible Green Projects. Subject to the nature of Eligible Green Projects and availability of information, we aim to include, but not limited to, the following Impact Indicators:

Eligible Green Project Categories	**Impact Indicators**
Sustainable Water and Wastewater Management	• Absolute (gross) amount of water supplied before and after the project in m^3 p.a. • Absolute (gross) amount of reduction in water loss before and after the project in m^3 p.a. or% • Absolute (gross) amount of wastewater treated in m^3 p.a. • Number of people and cities served
Renewable Energy	• Annual GHG emissions reduced/avoided (t CO_2 eq p.a.) • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW

EXTERNAL REVIEW

We have engaged Sustainalytics to provide an external review in the form of a Second Party Opinion ("SPO") on the Framework and to confirm the alignment with the GBP/GLP. The external review has been made public on our website at http://www.chinawatergroup.com/.

EXCHANGE RATE INFORMATION

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link within the current rate range or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
	(HK$ per US$1.00)			
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021	7.7996	7.7727	7.8034	7.7515
July	7.7723	7.7705	7.7837	7.7651
August	7.7779	7.7834	7.7925	7.7735
September	7.7850	7.7807	7.7877	7.7708
October	7.7790	7.7793	7.7871	7.7725
November	7.7967	7.7896	7.7993	7.7819
December	7.7996	7.7990	7.8034	7.7914
2022				
January (through January 7, 2022)	7.7984	7.7970	7.8001	7.7941

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the monthly average rate, which is determined by averaging the daily rates during the month.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Company's capitalization and indebtedness as of September 30, 2021 on an actual basis and on an adjusted basis after giving effect to the issuance of the New Notes in this offering (before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering). The following table should be read in conjunction with "Use of Proceeds" and the unaudited condensed interim consolidated financial statements and related notes included elsewhere in this offering memorandum.

	As of September 30, 2021[1],			
	Actual		As adjusted	
	(HK$'000)	(US$'000)	(HK$'000)	(US$'000)
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
Cash and cash equivalents[2]	4,672,012	600,130	5,815,427	747,004
Short-term borrowings[3]				
Bank loans – unsecured	2,038,033	261,790	2,038,033	261,790
Bank loans – secured	1,405,719	180,568	1,405,719	180,568
Other loans – unsecured	14,458	1,857	14,458	1,857
Other loans – secured	174,577	22,425	174,577	22,425
Government loans – unsecured	60,547	7,777	60,547	7,777
Senior notes due within one year[4]	1,159,833	148,983	1,159,833	148,983
Subtotal of short-term borrowings	4,853,167	623,400	4,853,167	623,400
Long-term borrowings[3]				
Bank loans – unsecured	7,593,055	975,344	7,593,055	975,344
Bank loans – secured	4,841,959	621,960	4,841,959	621,960
Other loans – unsecured	1,588,470	204,042	1,588,470	204,042
Other loans – secured	822,527	105,655	822,527	105,655
Government loans – unsecured	107,941	13,865	107,941	13,865
New Notes to be Issued	–	–	1,143,415	146,874
Subtotal of long-term borrowings	14,953,952	1,920,867	16,097,367	2,067,740
Total borrowings	19,807,119	2,544,267	20,950,534	2,691,140
Total equity	18,788,786	2,413,460	18,788,786	2,413,460
Total capitalization[5]	33,742,738	4,334,327	34,886,153	4,481,200

Notes:

(1) The translations from Hong Kong dollar amounts to U.S. dollars were made at the rate of HK$7.7850 to US$1.00, the noon buying rate in New York City for cable transfers payable in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2021.

(2) Cash and cash equivalents exclude pledged deposits of HK$440.7 million (US$56.6 million).

(3) Subsequent to September 30, 2021, we have, in the ordinary course of business, entered into additional financing arrangements to finance the construction of our projects and for general corporate purposes. See "Description of Other Material Indebtedness." These additional borrowings are not reflected in the table above.

(4) As of September 30, 2021, the senior notes due within one year include the 2017 Senior Notes. In June 2021, we partially redeemed the 2017 Senior Notes at the redemption price equal to 101.3125% of the principal amount thereof, being US$150 million, plus accrued and unpaid interest to (but excluding) the redemption date. As of the date of this offering memorandum, the total outstanding amount of the 2017 Senior Notes is US $150 million.

(5) Total capitalization includes total long-term borrowings plus total equity.

Subsequent to September 30, 2021, we have, in the ordinary course of business, entered into additional financing arrangements to finance the construction of our projects and for general corporate purposes. After the completion of this offering, we may, in the ordinary course of business, incur additional debt, including Renminbi denominated borrowings or other debt securities. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since September 30, 2021.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The selected consolidated income statement data for the fiscal years ended March 31, 2020 and 2021, the selected consolidated statement of financial position data as of March 31, 2020 and 2021, and the selected consolidated statement of cash flows data for the fiscal years ended March 31, 2020 and 2021 set forth below have been derived from our consolidated financial statements for such fiscal years and as of such dates, as audited by PricewaterhouseCoopers, Certified Public Accountants, and included elsewhere in this offering memorandum. The selected consolidated income statement data for the six months ended September 30, 2020 and 2021, the selected consolidated statement of financial position data as of September 30, 2020 and 2021, and the selected consolidated statement of cash flows data for the six months ended September 30, 2020 and 2021 set forth below have been derived from our unaudited interim condensed consolidated financial information for such period and as of such date, as reviewed by PricewaterhouseCoopers 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 Hong Kong Institute of Certified Public Accountants. The interim consolidated financial information of the Company as of and for the six months ended September 30, 2020 and 2021 have not been audited by PricewaterhouseCoopers or any other independent certified accountants and should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Consequently, none of the Initial Purchasers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial conditions and results of operations. Results for the interim period are not indicative of the results for the full year. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

SELECTED CONSOLIDATED INCOME STATEMENT

	For the year ended March 31,			For the six months ended September 30,		
	2020	**2021**	**2021**	**2020**	**2021**	**2021**
	HK$'000	**HK$'000**	**US$'000**	**HK$'000**	**HK$'000**	**US$'000**
	audited	*audited*	*unaudited*	*unaudited*	*unaudited*	*unaudited*
Revenue	8,694,303	10,345,533	1,328,906	5,131,231	6,472,791	831,444
Cost of sales	(4,935,818)	(6,006,949)	(771,606)	(3,020,749)	(3,947,464)	(507,060)
Gross profit	3,758,485	4,338,584	557,300	2,110,482	2,525,327	324,384
Other income	370,563	376,626	48,378	205,850	212,442	27,288
Selling and distribution costs	(199,135)	(237,057)	(30,450)	(104,522)	(129,995)	(16,698)
Administrative expenses	(735,335)	(775,678)	(99,638)	(374,294)	(430,608)	(55,313)
Other operating expenses	(13,121)	(12,258)	(1,575)	–	–	–
Loss on disposal or deregistration of subsidiaries, net	(348)	(3,162)	(406)	(2,914)	(7,384)	(948)
Operating profit	3,181,109	3,687,055	473,610	1,834,602	2,169,782	278,713
Finance costs	(429,215)	(370,577)	(47,601)	(192,622)	(200,811)	(25,795)
Share of results of associates	412,615	213,143	27,379	72,070	122,394	15,722
Profit before income tax	3,164,509	3,529,621	453,387	1,714,050	2,091,365	268,640
Income tax expense	(657,220)	(867,547)	(111,438)	(446,560)	(512,588)	(65,843)
Profit for the year/period	2,507,289	2,662,074	341,949	1,267,490	1,578,777	202,797
Profit for the year/period attributable to:						
Owners of the Company	1,639,495	1,692,464	217,401	826,479	1,019,696	130,982
Non-controlling interests	867,794	969,610	124,548	441,011	559,081	71,815
	2,507,289	2,662,074	341,949	1,267,490	1,578,777	202,797

OTHER FINANCIAL INFORMATION

	For the year ended March 31,			For the six months ended September 30,		
	2020	**2021**	**2021**	**2020**	**2021**	**2021**
	HK$'000	**HK$'000**	**US$'000**	**HK$'000**	**HK$'000**	**US$'000**
	unaudited	*unaudited*	*unaudited*	*unaudited*	*unaudited*	*unaudited*
EBITDA[1]	4,213,499	4,629,932	594,725	2,258,242	2,731,198	350,828
EBITDA Margin[2]	48.5%	44.8%	44.8%	44.0	42.2	42.2

Notes:

(1) EBITDA for any year or period consists of operating profit for the year or period, adding back share of results of associates, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of other intangible assets as stated in our financial statements. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See the section entitled "Description of the Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

The following table reconciles our operating profit for the year or period under HKFRS to our definition of EBITDA for the year or period indicated:

	For the year ended March 31,			For the six months ended September 30,		
	2020	**2021**	**2021**	**2020**	**2021**	**2021**
	HK$'000	**HK$'000**	**US$'000**	**HK$'000**	**HK$'000**	**US$'000**
			unaudited	*unaudited*	*unaudited*	*unaudited*
Operating profit	3,181,109	3,687,055	473,610	1,834,602	2,169,782	278,713
Adjustment for:						
Share of results of associates	412,615	213,143	27,379	72,070	122,394	15,722
Depreciation of property, plant and equipment	73,155	82,920	10,651	39,685	58,800	7,553
Depreciation of right-of-use assets	67,475	68,366	8,782	32,086	34,797	4,470
Amortisation of other intangible assets.	479,145	578,448	74,303	279,799	345,425	44,371
EBITDA	4,213,499	4,629,932	594,725	2,258,242	2,731,198	350,828

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

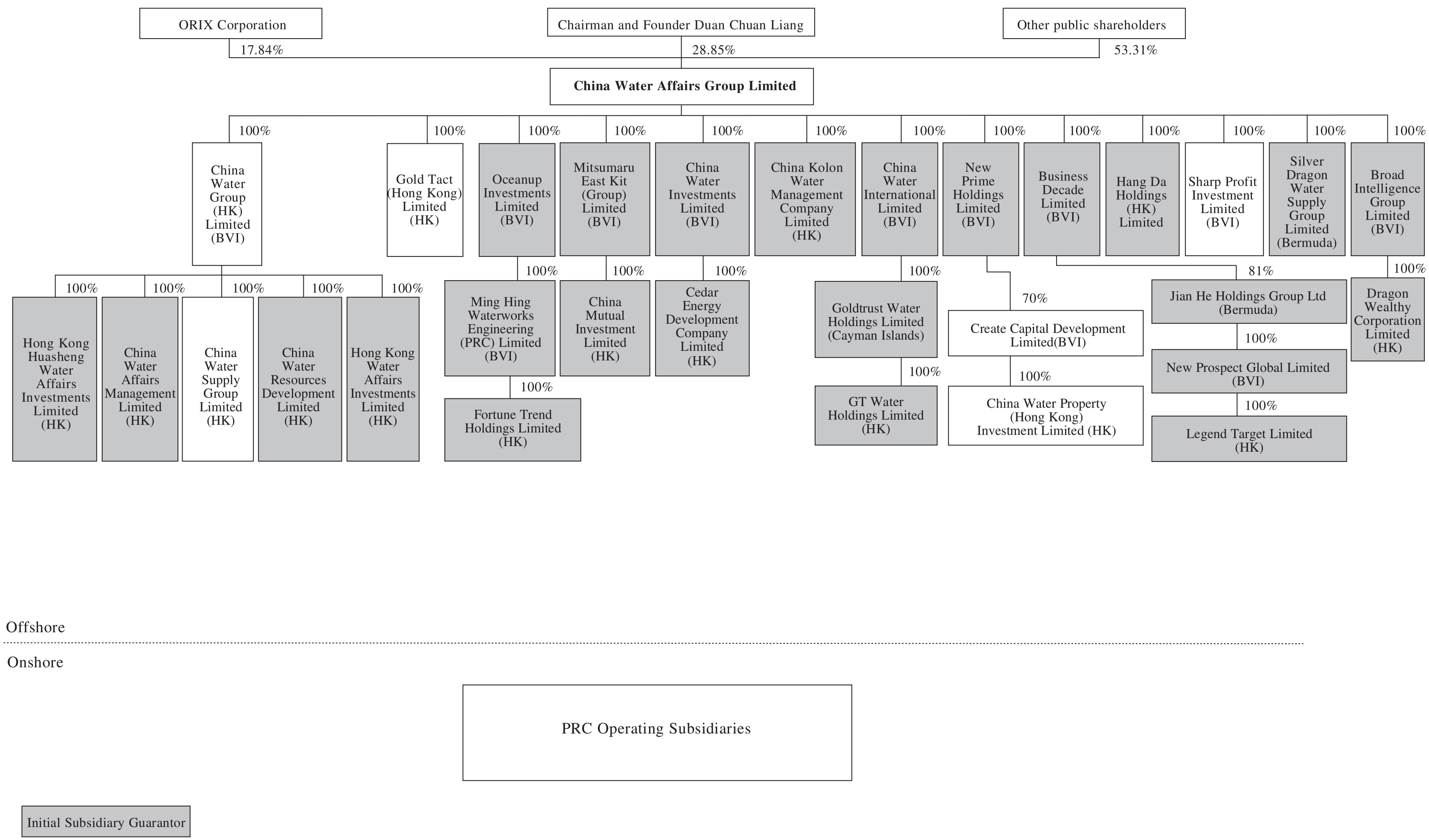
	As of March 31,			As of September 30,	
	2020	2021	2021	2021	2021
	HK$'000	HK$'000	US$'000	HK$'000	US$'000
	audited	*audited*	*unaudited*	*unaudited*	*unaudited*
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment	2,224,200	2,862,637	367,712	3,080,060	395,640
Right-of-use assets	1,297,830	1,292,404	166,012	1,337,555	171,812
Investment properties	1,031,042	1,195,821	153,606	1,275,601	163,854
Interests in associates	2,227,812	2,517,567	323,387	2,625,592	337,263
Financial assets at fair value through other comprehensive income	358,285	376,245	48,329	382,101	49,082
Goodwill	1,320,004	1,409,125	181,005	1,439,361	184,889
Other intangible assets	17,558,146	21,654,961	2,781,626	24,304,017	3,121,903
Prepayments, deposits and other receivables	894,863	719,713	92,449	753,470	96,785
Contract assets	670,545	1,049,620	134,826	1,045,349	134,277
Receivables under service concession arrangements	1,031,570	1,083,169	139,135	1,154,293	148,271
	28,614,297	34,161,262	4,388,088	37,397,399	4,803,776
Current Assets					
Properties under development	1,505,720	1,826,463	234,613	1,828,067	234,819
Properties held for sale	751,533	732,617	94,106	758,902	97,483
Inventories	630,394	922,325	118,475	1,103,739	141,778
Contract assets	295,993	479,269	61,563	876,325	112,566
Receivables under service concession arrangements	62,361	69,090	8,875	73,847	9,486
Trade and bills receivables	1,324,787	1,071,490	137,635	1,340,847	172,235
Financial assets at fair value through profit or loss[1]	292,135	1,035,098	132,961	1,034,330	132,862
Due from non-controlling equity holders of subsidiaries	211,072	268,488	34,488	390,908	50,213
Due from associates	13,411	175,912	22,596	173,154	22,242
Prepayments, deposits and other receivables	1,597,350	1,879,698	241,451	2,233,666	286,919
Pledged deposits	963,236	515,117	66,168	440,651	56,603
Cash and cash equivalents	5,640,664	3,901,218	501,120	4,672,012	600,130
	13,288,656	12,876,785	1,654,051	14,926,448	1,917,334

(1) Includes wealth management products and structured deposits issued by licensed banks of HKD292.1 million, HKD797.6 million (USD102.5 million) and HKD734.9 million (USD94.4 million) as of March 31, 2020 and 2021 and September 30, 2021.

	As of March 31,			As of September 30,	
	2020	2021	2021	2021	2021
	HK$'000	HK$'000	US$'000	HK$'000	US$'000
	audited	*audited*	*unaudited*	*unaudited*	*unaudited*
Current Liabilities					
Lease liabilities	30,966	30,531	3,922	32,990	4,238
Contract liabilities	906,157	1,099,264	141,203	1,038,062	133,341
Trade and bills payables	3,106,708	3,759,730	482,945	4,506,216	578,833
Accrued liabilities, deposits received and other payables	2,482,964	2,148,055	275,922	2,626,361	337,362
Due to associates	121,805	64,772	8,320	84,737	10,885
Borrowings	4,090,990	5,261,847	675,896	4,853,167	623,400
Due to non-controlling equity holders of subsidiaries	163,642	208,074	26,728	333,603	42,852
Provision for tax	1,432,744	1,974,885	253,678	2,295,359	294,844
	12,335,976	14,547,158	1,868,614	15,770,495	2,025,754
Net current assets/(liabilities)	952,680	(1,670,373)	(214,563)	(844,047)	(108,420)
Total assets less current liabilities	29,566,977	32,490,889	4,173,525	36,553,352	4,695,357
Non-Current Liabilities					
Borrowings	13,298,027	13,167,026	1,691,333	14,953,952	1,920,867
Lease liabilities	335,379	329,048	42,267	335,917	43,149
Contract liabilities	276,453	310,135	39,838	343,786	44,160
Due to non-controlling equity holders of subsidiaries	412,979	392,139	50,371	676,749	86,930
Deferred government grants	202,213	243,127	31,230	243,923	31,332
Deferred tax liabilities	943,423	1,099,386	141,218	1,210,239	155,458
	15,468,474	15,540,861	1,996,257	17,764,566	2,281,897
Net assets	14,098,503	16,950,028	2,177,268	18,788,786	2,413,460
EQUITY					
Equity attributable to owners of the Company					
Share capital	16,040	15,849	2,036	16,323	2,097
Reserves	8,491,670	10,496,694	1,348,323	11,754,511	1,509,892
	8,507,710	10,512,543	1,350,359	11,770,834	1,511,989
Non-controlling interests	5,590,793	6,437,485	826,909	7,017,952	901,471
Total Equity	14,098,503	16,950,028	2,177,268	18,788,786	2,413,460

CORPORATE STRUCTURE

The following chart shows a simplified corporate structure of the Company, listing only the Company and certain of its subsidiaries as of the date of the offering memorandum:



BUSINESS

Overview

We are one of the largest publicly-listed water supply companies in China based on the volume of water sold for the year ended March 31, 2021. Unlike our peers, we are uniquely focused on the water supply business. We began our operation in the water sector in 2003 and have experienced significant growth since then, primarily through mergers and acquisitions, especially those targeting developing cities in China.

We have an extensive and diverse portfolio of projects. As of September 30, 2021, we had 83 water companies across 65 cities in 13 provinces and 3 municipal cities in China (including exclusive water supply concessions in 59 cities, 8 raw water projects and 21 sewage treatment projects) with a daily water supply and treatment capacity of more than 9.3 million cubic meters. Our water supply business, involving the treatment and distribution of tap water and raw water, the installation of connection meters and water supply related construction work, contributed 83.1%, 82.6%, 82.6% and 79.5% of our total revenue for the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2020 and 2021, respectively. As part of our integrated approach in the water business, we also engage in sewage treatment, drainage operation and related construction work, which, for the same periods, contributed 12.4%, 11.6%, 9.7% and 9.2% of our total revenue, respectively. In addition, we also undertake property development and investment.

The water supply industry in China is exclusive in nature. As a result, we have the exclusive right for our water supply business in cities where we operate, with concessions that typically have a term of 30 years. As of September 30, 2021, the coverage of our water supply plants included exclusive rights to operate in 59 cities, with more than 6.5 million connected water meters used by our residential, industrial and other end users.

We operate the majority of our water supply plants under a TOO model. Under the TOO model, we enter into an arrangement with a proprietor, a PRC government owned entity, to operate our water plants, pursuant to which we collect water tariffs directly from end users on behalf of the local government, mitigating payment risks. Unlike the BOT business model under which the operator transfers the water facilities back to the government for zero consideration when a concession period expires, when the term of one of our TOO arrangements ends, we are typically given a first right of refusal to apply for a renewal of the arrangement. Alternatively, the proprietor may purchase the facilities from us at a price to be agreed upon.

Leveraging tariff increases, growth in volume of water sold and new projects, we have enjoyed sustainable and rapid growth in water supply capacity and revenue. We have consistently increased our daily water processing capacity (including sewage treatment plants and water supply plants) from 4.4 million tons per day as of March 31, 2012 to 9.3 million tons per day as of September 30, 2021. For the fiscal year ended March 31, 2021, our volume of tap water sold has increased to 1,185.3 million tons. In addition to increases in tariffs and increases in volume of water sold, we have also expanded our capacity, sales volume and revenue through acquisition of new projects. We have developed a stringent set of key investment criteria for new projects, with a professional investment team constantly sourcing new projects and a professional business development team that negotiates terms with local governments.

The Company was incorporated in the Cayman Islands on July 26, 1999 and continued in Bermuda on July 9, 2003 as an exempted company with limited liability. The Company is listed on the Hong Kong Stock Exchange (Stock Code: HK 0855). For the fiscal year ended March 31, 2020 and 2021 and the six months ended September 30, 2020 and 2021, our revenues were HK$8.7 billion, HK$10.3 billion (US$1.3 billion), HK$5.1 billion and HK$6.5 billion (US$0.8 billion) respectively, profit for the year/period was HK$2.5 billion, HK$2.7 billion (US$0.3 billion), HK$1.3 billion and HK$1.6 billion (US$0.2 billion) respectively, and EBITDA was HK$4.2 billion, HK$4.6 billion (US$0.6 billion), HK$2.3 billion and HK$2.7 billion (US$0.4 billion) respectively.

Our Strengths

One of the Largest Publicly-Listed Water Supply Companies in China with a Unique Water Supply Focus and a High Quality Portfolio

We are one of the largest publicly-listed water supply companies in China based on the volume of water sold for the year ended March 31, 2021. Unlike our peers, we are uniquely focused on the water supply business. For the fiscal year ended March 31, 2021 and the six months ended September 30, 2021, we sold 1,185.3 million tons and 658.2 million tons of water, respectively. In addition, for the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2020 and 2021, we recognized HK$7.2 billion, and HK$8.5 billion (US$1.1 billion), HK$4.2 billion and HK$5.1 billion (US$0.7 billion) in revenue from our water supply business, involving the treatment and distribution of tap water and raw water, the installation of connection meters and water supply related construction work, accounting for 83.1%, 82.6%, 82.6% and 79.5% of our total revenue for the same periods, respectively.

We have an extensive and diverse portfolio of projects. As of September 30, 2021, we have 83 water companies across China, including exclusive water supply concessions in 59 cities, 8 raw water projects and 21 sewage treatment projects with a daily water treatment capacity of more than 9.3 million cubic meters. As of September 30, 2021, the coverage of our water plants, including water supply plants and sewage treatment plants extended to 65 cities in 13 provinces and 3 municipal cities in China, including Hunan, Henan, Heilongjiang, Hainan, Jiangsu, Hubei, Jiangxi, Shanxi, Guangdong, Hebei, Guizhou, Shaanxi, Shandong, Tianjin, Beijing and Chongqing. Most of our operations are in central or southern China where rainfalls are abundant and our operations are less susceptible to weather conditions. Many of our existing water plants have a track record of steadily increasing water supply over the years. As living standards in the PRC continue to improve and as levels of urbanization and industrialization continue to rise, we expect that water demand, and the corresponding volume of water that we supply and coverage within cities, will also continue to increase.

Exclusive Operating Rights with Direct Access to End Users and Cash Tariff Collection, Providing Stable and Predictable Cash Flow

The water supply industry in China is exclusive in nature. As a result, we have the exclusive right for our water supply business in cities where we operate with concessions that typically have a term of 30 years. At the end of the concession period, we are typically given a first right of refusal to apply for a renewal of the concession. Alternatively, the grantor may purchase the facilities at an agreed price. As of September 30, 2021, the coverage of our water supply plants included exclusive rights to operate in 59 cities, with more than 6.5 million connected water meters used by our residential, industrial and other end users.

We operate the majority of our water supply plants under a TOO model. Under the TOO model, we enter into an arrangement with a proprietor, a PRC government owned entity, to operate our water plants, pursuant to which we collect water tariffs directly from end users on behalf of the local government, mitigating payment risks. If water tariffs are not paid within 2 months, we have the right to discontinue water supply to the specific users. Together with the water tariffs, we are also paid to collect other charges for local governments, including sewage treatment fees, solid waste disposal fees and city construction fees. In addition, we have a strong record in terms of our revenue collection capabilities, with an average account receivable days of 42.3 days in the fiscal year ended March 31, 2021. As a result, we have had a stable and predictable cash flow, which we expect will continue to support our expansion. Our operating cash flow before working capital changes for the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2021 were HK$3.4 billion, HK$3.9 billion (US$0.5 billion) and HK$2.3 billion (US$0.3 billion), respectively.

Unlike the BOT business model under which the operator transfers the water facilities back to the government for zero consideration when a concession period expires, when the term of our TOO arrangements end, we are typically given a first right of refusal to apply for a renewal of the arrangement. Alternatively, the proprietor may purchase the facilities from us at a price to be agreed upon.

With water supply at the center of our business, complemented by our sewage treatment business, we are uniquely and strategically positioned across the value chain, providing end-to-end solutions to governments and customers. This has provided room for recurring value-added services such as pipeline maintenance and water meter installation. Most of our business segments generally enjoy stable margins, in particular for our water supply operations and our water supply connection services. Our business model, supported by exclusive operation rights and growth through tariff increases, increases in volume of water sold and new acquisitions, has helped us become a stable and growing utility business with economies of scale and resilience during economic downturns.

Substantial Barriers to Entry

As a public utility, the water supply network is the lifeline to a city and is essential to its operation. Only water supply companies with sufficient management skills, a proven track record and an excellent water safety record can gain the trust of local governments in order to own and operate the water supply network. Our early establishment, strong brand name and geographical presence have provided us with an important first mover advantage in this utility industry with high barriers of entry where natural monopolies tend to arise. We believe that such first mover advantage, together with our track record, long history working with local governments, understanding of the market and regulatory environment in the PRC, and reputation will allow us to strengthen our leadership role in the water industry in China.

Consistent Operational Excellence and Proven Track Record of Steady Organic Growth Driven by Successful Tariff Increase, Volume Growth and New Projects

Leveraging tariff increases, growth in volume of water sold and new projects, we have enjoyed sustainable and rapid growth in water supply capacity and revenue. We have consistently increased our daily water processing capacity (including tap water and raw water supply plants and sewage treatment plants) from 4.4 million tons per day as of March 31, 2012 to 9.3 million tons per day as of September 30, 2021. For the fiscal year ended March 31, 2021, our volume of tap water sold has increased to 1,185.3 million tons. Our revenue has increased from HK$8.7 billion for the fiscal year ended March 31, 2020 to HK$10.3 billion (US$1.3 billion) for the fiscal year ended March 31, 2021 and from HK$5.1 billion for the six months ended September 30, 2020 to HK$6.5 billion (US$0.8 billion) for the six months ended September 30, 2021.

Since 2012, the average water tariffs that we collect for the water we supply has been steadily increasing. Our average water tariffs have increased from approximately HK$1.83 per cubic meter as of March 31, 2012 to approximately HK$2.4 per cubic meter as of March 31, 2021. In addition, our average water tariff of HK$2.5 per cubic meter, as of September 30, 2021, was below the national average of approximately HK$4.5 per cubic meter according to the information published by Global Water Intelligence, as of September 30, 2021. In the years to come, we believe that water tariffs will continue to increase due to the relatively low level of China's current water tariffs in urban areas, which are only approximately 25% of the world's average and the PRC government's incentive to set higher water tariffs to discourage excess consumption.

In addition to increases in tariffs, we have also expanded our capacity, sales volume and revenue through acquisition of new projects. We have developed a stringent set of key investment criteria for new projects, with a professional investment team constantly sourcing new projects and a professional business development team that negotiates terms with local governments. We have successfully executed our strategy of growth through acquisitions over the past ten years and this remains a strategic focus for us.

We have also been able to achieve consistent operational excellence. We have a track record of high quality water supply consistently surpassing requirements set by local governments. In addition, we have a track record of reducing leakage in our water plants.

Strong Credit and Financial Profile with High Quality Partners

We have a strong credit and financial profile. We have consistently maintained strong cash flows due to our TOO business model and the exclusive nature of the water utility business. In addition, our EBITDA to interest coverage ratio has been consistently strong. We expect to continue to maintain our strong liquidity position and credit profile, which we believe will enable us to expand steadily and sustain our business plans.

We have received financial and strategic support from high quality partners. Our partners include the Asian Development Bank. In addition to providing long-term financing, our partners have been instrumental in guiding us with respect the operation of our business with a view to meeting international standards.

Highly Experienced Management Team with Extensive Industry and Execution Track Record

Our management team has extensive experience and a proven track record in the water industry in China. The majority of our core management team members are either veteran experts in the water industry or former senior officials of the Ministry of Water Resources and have deep knowledge of the sector and relevant government policies. The management team has on average over 20 years of experience in water or water-related sectors. We believe that our strong management and execution capacity is evidenced by a consistent track record in acquiring under-performing water plants owned by local governments and turning them around to profitability. We believe that our management team enables us to continue to improve the efficiency and quality of our operations and services.

Our Strategies

Solidify Leading Position in the Water Supply Segment and Progressively Spin off Non-core Assets

We plan to continue to strengthen and solidify our leading position in the PRC water business. We intend to continue to focus on raw water and tap water supply business under the TOO model and expand our operations organically to increase recurring revenue streams through exclusive concession rights. We intend to continue to evaluate our business model and strive to optimize our business portfolio, and may, depending on market conditions, resort to equity capital markets to obtain financing to fund our expansion of core business. In addition, we plan to spin-off certain non-core assets to generate additional income as well as provide the financial capability to pursue more attractive investments.

Focus on the Development of Water and Related Businesses and Improve Utilization Rate and Efficiency

We intend to focus on the development of our water and related businesses, and aim to establish an integrated supply chain that covers water resources management, retail water supply systems, sewage treatment, installation of water pipes and electronic meter systems in addition to taking advantage of already established infrastructure in cities in which we operate. We also plan to continue to develop direct drinking water business, fingertip water application and smart pipeline network system.

In addition, we intend to capitalize on economies of scale with expansion of business through mergers and acquisitions. As we acquire more project companies we expect to be able to share our technical and operational know-how to improve our utilizations rates and our efficiency.

Continue to Prudently Acquire High Quality Projects to Expand our Water Supply Business and Extend to Wastewater Treatment Business

We intend to continue to expand our presence in the market through selective mergers and acquisitions. We have developed a stringent set of key investment criteria for new projects, with a professional investment team constantly sourcing new projects and a professional business development team that negotiates terms with local governments. Leveraging these strengths, we intend to acquire and integrate companies with water supply capacity in various regions of China. In particular, we plan to acquire government-owned, under-performing water plants in cities with growth potential in terms of water demand and tariffs, allowing us to achieve sustainable growth of our water supply business and maintain a reasonable level of return on investments.

Continue to Explore Opportunities for Water Tariff Increases

According to guidance from the NDRC, water tariffs are regulated such that water supply operators achieve a return on equity of at least 8% to 12%. Revisions of tariffs are subject to review by the NDRC, the Water Affairs Bureau and eventually a public hearing. Applications for upward adjustments may be made in the case of increases in key costs including raw material prices, labor costs and electricity charges. In the years to come, we believe that water tariffs will continue to increase due to the relatively low level of China's current water tariffs in urban areas, which are only approximately 25% of the world's average, and the PRC government's incentive to set higher water tariffs to discourage excess consumption. We intend to take full advantage of opportunities to increase our water tariffs.

Develop and Promote Value-added Services

In addition to tap water and raw water supply and sewage treatment services, we also provide construction services. Our construction services consist primarily of water meter installation, installation of water pipelines for water distribution, construction of water reservoirs for water storage, as well as the construction of water treatment plants on a BOT basis. We intend to continue to develop this aspect of our business to expand our value-added services.

Our Business

We are engaged in the retail water supply and other water related businesses in China. Our primary business is our water supply business, which consists of the treatment and distribution of tap water, raw water and related engineering and construction work. As part of our integrated approach to the water business, we also engage in sewage treatment and related construction work. In addition to our core water related businesses, we also undertake property development and investment.

Our water supply business, involving the treatment and distribution of tap water and raw water, the installation of connection meters and water supply related construction work, contributed 83.1%, 82.6%, 82.6% and 79.5% of our total revenue for the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2020 and 2021, respectively. As of March 31, 2020 and 2021 and September 30, 2021, the daily water processing capacity of our operating water plants (including tap water and raw water supply plants and sewage treatment plants) was 8.7 million tons per day, 9.1 million tons per day and 9.3 million tons per day, respectively.

The table below sets forth our revenue by business segment for the fiscal year ended March 31, 2020 and 2021 and the six months ended September 30, 2020 and 2021.

	For the year ended March 31,			For the six months ended September 30,		
	2020	2021	2021	2020	2021	2021
	HK$'000	HK$'000	US$'000	HK$'000	HK$'000	US$'000
	audited	*audited*	*unaudited*	*unaudited*	*unaudited*	*unaudited*
City water supply operation and construction	7,224,212	8,543,997	1,097,495	4,240,201	5,145,701	660,976
Environmental protection	1,073,940	1,205,244	154,816	500,194	596,075	76,567
Property development and investment.	237,181	333,230	42,804	301,166	386,482	49,644
All other segments(1)	158,970	263,062	33,791	89,670	344,533	44,256
Total.	**8,694,303**	**10,345,533**	**1,328,906**	**5,131,231**	**6,472,791**	**831,444**

Note:

(1) Includes revenue from rental income, finance income and others.

Our Business Model

We began our operation in the water sector in 2003 and have experienced significant growth since then, primarily through mergers and acquisitions, especially those targeting developing cities in China. We develop our business primarily through acquiring under-performing water plants previously owned by the PRC government that we determine to have high potential. Despite the successful private sector participation in bulk water treatment and wastewater treatment plants, municipal water supply services are provided mainly by utility companies owned by municipal governments. We typically acquire water assets, water plants, pipeline network and concession right from the relevant local government and conduct operation through a project company established specifically for this purpose. In most cases the local government will retain a minority shareholding in the project company. After privatization, it typically takes us about 2 years to turn the plant around to become profit making. Thereafter, we continue to improve on the operational efficiency of these projects and achieve organic growth.

With acquisition at the core of our growth strategy, we have established a professional investment team to source new projects and a professional business development team that negotiates terms with local governments. We have developed a set of key investment criteria for new projects, including:

- ***Small and medium-sized cities:*** We target water supply systems with prospects of organic growth and expansion in small and medium-sized cities.

- ***Pipeline networks and tariff collection rights:*** We prefer investing in projects with existing pipeline networks to secure tariff collection rights and maintain strong cash flow.

- ***Management control:*** We aim to acquire a controlling stake (no less than 51%), so that we have control of the board of directors.

- ***Turnaround potential:*** We primarily target under-performing water plants, in particular those with high rates of non-revenue water but have potential for sustainable growth as well as substantial upside potential for tariff.

- ***Eligibility criteria and environmental and social management:*** Targets should have an optimal internal rate of return, potential for efficiency improvement and above average environmental and social records and documentations. Projects with potential substantial environmental and social impact, large scale resettlement or issues affecting minority groups and indigenous peoples are generally not considered.

- ***Local government support:*** We target projects with the local government's commitment to support private operators in municipal water supply.

- ***Water resources:*** We assess raw water availability and quality, and choose only the sites with strong proven resources. Sites are chosen mostly in the southern and central provinces of China, largely due to the abundant water resources in these areas.

- ***Financial returns:*** We prefer projects with an internally-assessed long-term rate of return above 12%.

Based on the above principles, we pursue expansion into satellite towns or neighboring districts and counties in accordance with the relevant government authority's water efficiency improvement plan. Initial acquisitions are often used to build a large position in a city. We may acquire a district water treatment and distribution operation, and then subsequently expand to other districts or other related brown field facilities. Our trustful relationship with the local government also positions us well to take on green field projects in an urban/industrial expansion program.

After more than 16 years of development, as of September 30, 2021, the coverage of our water plants, including water supply plants and sewage treatment plants extended to 65 cities in 13 provinces and 3 municipal cities in China, including Hunan, Henan, Heilongjiang, Hainan, Jiangsu, Hubei, Jiangxi, Shanxi, Guangdong, Hebei, Guizhou, Shaanxi, Shandong, Tianjin, Beijing and Chongqing. As of September 30, 2021, we had 83 water companies across China, including exclusive water supply concessions in 59 cities, 8 raw water projects and 21 sewage treatment projects with a daily water treatment capacity of more than 9.3 million cubic meters.

Water Supply Business

Our water supply business primarily comprises the provision of tap water and raw water to residential, commercial and industrial users in the PRC. We also install connection meters and conduct construction and engineering work related to our water supply operations. Our water supply business, involving the treatment and distribution of tap water and raw water, the installation of connection meters and water supply related construction work, contributed 83.1% 82.6%, 82.6% and 79.5% of our total revenue for the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2020 and 2021, respectively.

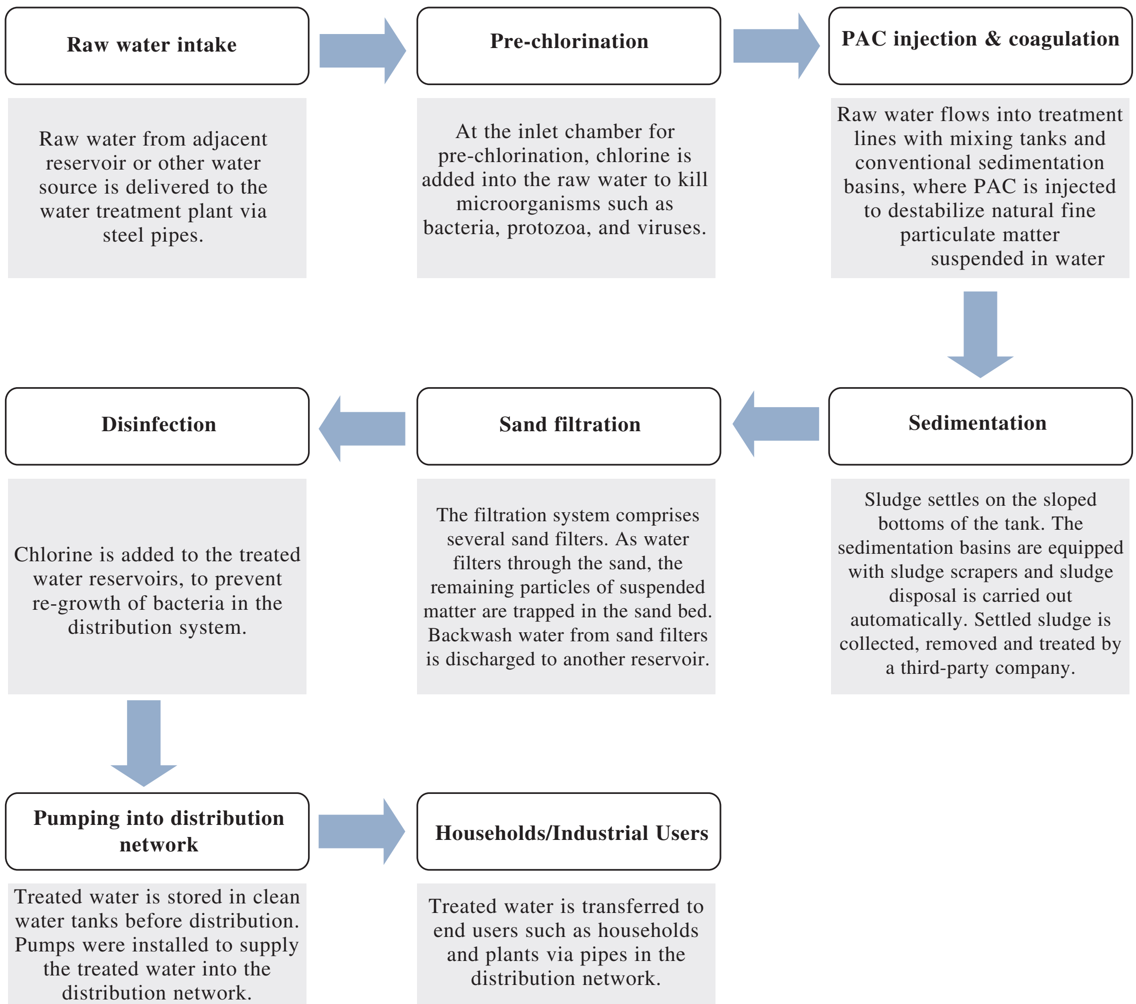
We operate our water supply plants through arrangements with certain government authorities in the PRC on a TOO, BOT or TOT basis. The substantial majority of our water plants are operated on a TOO basis. Pursuant to our TOO arrangements, a proprietor, a PRC government owned entity, transfers to us the rights to undertake the financing, design, construction, operation and maintenance of the facility. Pursuant to the arrangements, we can charge users a fee directly. The term of the arrangement is typically 30 years. Unlike the BOT business model under which the operator transfers the water facilities back to the government for zero consideration when a concession period expires, when the term of one of our TOO arrangements ends, we are typically given a first right of refusal to apply for a renewal of the arrangement. Alternatively, the proprietor may purchase the facilities from us at a price to be agreed upon. In addition, the water supply industry in China is exclusive in nature. We have the exclusive right for our water supply business in cities where we operate during the term of our arrangements. As of September 30, 2021, the coverage of our water supply plants included exclusive rights to operate in 59 cities, with more than 6.5 million connected water meters used by our residential, industrial and other end users.

Revenue from our water supply business primarily comprises tariffs charged for tap and raw water treatment and supply. The arrangements under which we operate the majority of our water supply plants allow us to collect water tariffs directly from end users on behalf of the local government, mitigating payment risks. Together with the water tariffs, we are also paid to collect other charges for local governments, including sewage treatment fees, solid waste disposal fees and city construction fees. We collect monthly tariffs on behalf of the local government and then pass it on to local government after deducting for our cost of services. If water tariffs are not paid within 2 months, we have the right to discontinue water supply to the specific users.

Water Supply Operations

Our water supply business primarily comprises tap water supply and raw water supply. Tap water supply involves the treatment of raw water that we then supply to residential, commercial and industrial users in the urban areas of the PRC. Raw water supply involves the supply of raw water to tap water treatment plants and industrial plants in China. As of September 30, 2021, we had exclusive water supply concessions in 59 cities, and 8 raw water projects and 21 sewage treatment projects across China with a daily water supply capacity of more than 9.3 million cubic meters. Most of our operations are in central or southern China where rainfalls are abundant and our operations are less susceptible to weather conditions.

Our tap water treatment plant receives raw water from the relevant adjacent reservoir or other raw water sources. After the treatment process, treated water from the plant is stored in treated water tanks and then pumped into the distribution network for customer usage. The general process of our water supply business features the following steps:



We actively work to improve the operating efficiency and capacity of our existing water supply plants. We have a track record of high quality water supply consistently surpassing requirements set by local governments. In addition, we have a track record of reducing leakage in our water plants. For the six months ended September 30, 2021, our lost water rate was 14.2%. In addition, many of our existing water plants have a track record of steadily increasing water supply over the years. For instance, from the fiscal year ended March 31, 2012 to the fiscal year ended March 31, 2021, our plant at Daya Bay increased its annual water supply from 42.3 million tons to 114.0 million tons, our Chongqing plant from 22.7 million tons to 44.0 million tons, our Luyi plant from 2.4 million tons to 20.8 million tons and our Gao'an plant from 25.2 million tons to 50.0 million tons.

Water Supply Connection Services

In addition to tap water and raw water supply we also provide water supply connection services, which include the installation of new meters and the renewal of old meters at the locations of our users. Our water meter installation business was initiated after the PRC government introduced the "one household one meter" policy in 2002 that set certain requirements for each household to have a water meter installed. Revenue from our water supply connection services comes from "connection fees," which are fees we collect directly from users for installing meters upon new connections.

Water Supply Construction Services

We also provide construction services in relation to our water supply business. Our water supply construction services consist of installation of water pipelines for water distribution, construction of water reservoirs for water storage, as well as the construction of water supply plants, primarily to expand capacity of existing projects. We conduct a portion of our construction services through our wholly-owned subsidiary construction companies, including through our Grade I qualified subsidiary for construction of water plants that is licensed and qualified to undertake construction throughout all provinces of the PRC. Our construction services encompass all aspects of the construction process, including design, construction and installation. We undergo a competitive bidding process for all of our construction projects.

Sewage Treatment Business

As part of our integrated water resource management business model, we also engage in sewage treatment and related construction work. Our revenue from our sewage treatment and drainage and construction business for the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2020 and 2021, accounted for 12.4%, 11.6%, 9.7% and 9.2% of our total revenue, respectively.

Our sewage treatment business consists of removing pollutants from water and sewage using multiple processes, including the application of chemicals and biological agents and the use of physical processes. Our sewage treatment plants are primarily located in Beijing, Tianjin, Henan, Hebei, Hubei, and Jiangxi provinces of China. As of September 30, 2021, we have 21 sewage treatment plants with a daily water treatment capacity of approximately 671,530 cubic meters.

For our sewage treatment projects, we typically enter into service concession arrangements with certain government authorities in the PRC on a BOT or TOT. These service concession arrangements generally involve us, through a designated project company, as an operator (i) constructing sewage treatment infrastructures for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; and (iii) operating and maintaining the water supply and sewage treatment infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 30 years. We typically will be paid for our services over the relevant service concession periods at prices stipulated through a pricing mechanism. We generally are entitled to use all the property, plant and equipment of the sewage treatment infrastructures. However, the relevant governmental authorities as grantors will control and regulate the scope of services we must provide with the sewage treatment infrastructures, and retain the beneficial entitlement to any residual interest in the sewage treatment infrastructures at the end of the term of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplemental agreements entered into between us and the relevant governmental authorities in the PRC that set out, among others, performance standards, mechanisms for adjusting prices for the services rendered by us, specific obligations levied on us to restore the water supply and sewage treatment infrastructures to a specified level of serviceability at the end of the relevant concession periods, and arrangements for arbitrating disputes.

Revenue from our sewage treatment business primarily comprises end-user sewage fees charged to cover wastewater treatment infrastructure, which is based on the actual sewage treated and operation and maintenance costs for wastewater treatment in the particular location.

Sewage Treatment Operations

The sewage treatment process begins with the pre-treatment of the sewage to remove large solid materials in the raw sewage. Sewage is then transferred to a sedimentation tank where smaller solid waste and sludge are separated from the sewage by sedimentation. After that, the sewage is discharged into biochemical pools where oxidation ditches are used to introduce an optimal level of oxygen to increase the growth of micro-organisms that consume organic pollutants in the sewage. Separation of sludge from sewage is then conducted at a secondary sedimentation stage. Afterwards, the treated sewage is disinfected to kill any harmful micro-organisms before being reintroduced into the environment or otherwise reused. Some of the separated sludge flows back into the biochemical pool to maintain a sufficient level of micro-organisms in the biochemical pool, while the residual sludge by-products from the treatment process is then sent to sludge landfill sites for disposal.

Property Development and Investment

We also hold various property development and investment projects which are mainly located in Beijing, Chongqing, Jiangxi, Hubei and Hunan provinces of China. We hold these projects for sale or capital appreciation, as this is considered a non-core business segment. Our revenue from our property development and investment for the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2020 and 2021, accounted for 2.7%, 3.2%, 5.9% and 6.0% of our total revenue, respectively.

Competition

The water supply and sewage treatment market in the PRC has evolved significantly over the past decade. The market is highly competitive and fragmented. Our existing and potential competitors include major state-owned and private water supply and sewage solutions providers and a number of international environmental services companies. We compete with our competitors in terms of technology, quality, price, brand recognition, project execution capability, marketing and customer services. Some of our competitors have considerable financial, marketing or other resources and some have advanced technologies. Certain competitors may also have wide brand recognition, economies of scale, long track records or established relationships in certain markets in which we operate. However, we believe we can compete effectively by virtue of our (i) early establishment, (ii) strong brand name, (iii) wide geographical presence and (iv) consistent operational excellence.

Environment and Safety

We are subject to, among other PRC laws and regulations promulgated by the National People's Congress, the Standing Committee of the National People's Congress, central and local governments, the Environmental Protection Law of the PRC, the Law of the PRC on Appraising Environment Impact and the Law of the PRC on the Prevention and Control of Water Pollution. Environmental protection and safety is a priority at all of our facilities.

For effective environmental protection and safety control we have adopted an extensive environmental and social management system (the "ESMS"). The ESMS covers a set of safety measures, operational procedures, emergency plans and training schedule in compliance with national requirements and international standards, to:

- ensure consistency with applicable laws, regulations and other requirements;
- promote a prevention-first and process-control-management policy, carry out continuous environmental and social impact assessments and risk evaluations to effectively control and prevent occurrence of environmental contamination accidents;
- avoid and eliminate work-related injuries and diseases, protect employee health and to coexist in harmony with surrounding communities;
- strengthen environmental and social awareness and knowledge training of both management and employees;
- guarantee necessary manpower, material resources and financial resources to assure effective and full implementation of the ESMS;
- assure the sustainability, sufficiency and validity of the ESMS; and
- endeavour to create a corporate culture that promotes the environment, health, safety and social responsibility.

Regulatory Compliance

Our operations are subject to various national and local laws and regulations governing environmental protection, workplace safety and product quality, among others. In our compliance measures, we aim to meet regulatory and industrial standards of relevant central and local governmental authorities and their industry associations.

Employees and Labor Relations

As of September 30, 2021, we had 10,800 employees, of which approximately 65% had a tertiary education level or above.

Our remuneration packages are generally structured by reference to market rates and individual merits. We are committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. We consider our current relations with our workforce to be good. We have not experienced any work stoppages, strikes or other material labor problems in the past.

Insurance

Based on the level of our operating risks, we maintain insurance policies covering loss and damages to properties, fixed assets, vehicles, as well as social security. We also generally maintain insurance for most of our water supply and sewage treatment projects, including casualty insurance and loss of business insurance. We believe our insurance coverage is similar in scope to those customary for companies in the same industry in the PRC.

Legal Proceedings

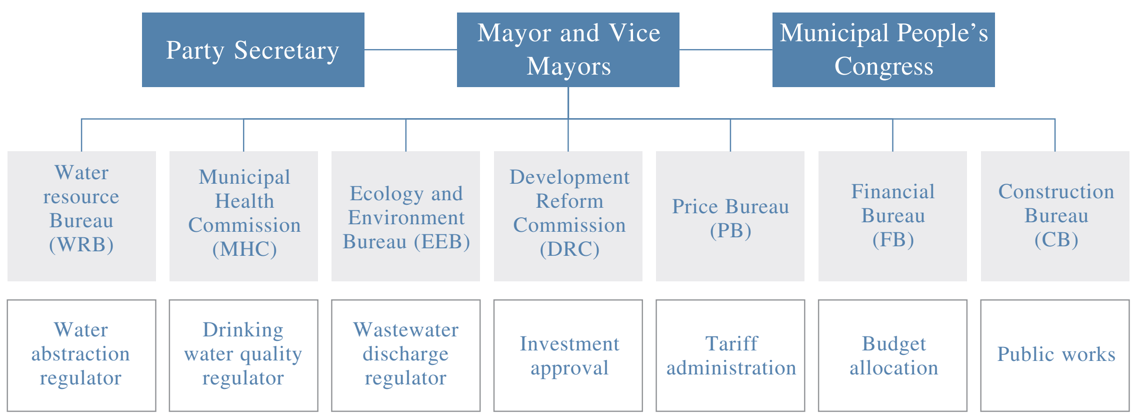
We may be subject to legal proceedings from time to time. We are not currently involved in any legal or administrative proceedings that we expect, individually or in the aggregate, to have a material adverse effect on our financial condition, results of operations or liquidity.

Policy and Regulations

Regulators

Oversight of the urban water sector is coordinated by the central government, which sets policies, standards, and guidelines for drinking water quality; wastewater discharge; and planning and constructing water, wastewater, and drainage infrastructure.[2] Provincial agencies set implementing regulations, approve selected actions of municipal agencies such as tariff revisions and increases and large investment projects, and oversee compliance with water supply and wastewater standards.

At the municipal level, each government is responsible for providing water and wastewater services, typically through a municipally-owned company, for implementing national and provincial regulations, and for setting tariffs. The functions are divided among several municipal offices, all coordinated under a mayor or mayoral-level "leading group". The chart below indicates a typical municipal structure for water regulation.



Policy Framework

Policies to commercialize the municipal water supply sector began in 1998 with a national policy mandating that urban water utilities earn a return on equity and introducing clear tariff-setting procedures. Subsequent directives sought to commercialize the sector further: (i) the 10th Five-Year Plan (2001-2005) recommended setting water tariffs according to supply and demand, and the 11th Five-Year Plan (2006-2010) emphasized improvements in water intensity (i.e., reducing the amount of water used per unit of economic output); (ii) the Water Law of the PRC was revised in 2002 to allow customers to be charged for the volume of water consumed; (iii) five ministry-level bodies, including the NDRC, in 2002 jointly issued a nationwide framework for urban water tariff determination, including formalizing the requirement that operation, maintenance, and debt service costs be recovered through tariffs and other user fees; and (iv) various agencies have instituted a series of complementary policies, such as the "one meter per household" policy to reduce nonrevenue water and improve water quality.

2 Several ministries carry out these functions. The Ministry of Water Resources oversees water resource allocation as well as usage in rural areas (irrigation and residential); the Ministry of Housing and Urban-Rural Development (MOHURD, formerly the Ministry of Construction) regulates engineering and urban water use; while the Ministry of Ecology and Environment regulates pollution and wastewater treatment. Separately, the National Health Commission of the PRC (NHC, formerly the National Health and Family Planning Commission) issued standards for the quality of residential tap water.

In 2009, the NDRC and MOHURD announced priorities for urban water distribution tariffs: (i) raising tariffs gradually to encourage conservation and efficiency, (ii) increasing transparency, (iii) setting block tariffs (progressive by volume) to encourage conservation, (iv) establishing simple sector categories for tariffs, (v) incorporating pro-poor affordability measures, and (vi) raising public awareness of water issues.

The 13th Five Year Plan (2016-2020) was announced in May 2016, which emphasizes several aspects of water development: (i) conservation, (ii) water safety, (iii) water pricing, (iv) pipeline network development, and (v) expediting waste water treatment. The plan also targets controlling the total volume of water consumed not more than 67 billion cubic meters.

The 14th Five Year Plan (2021-2025) was announced in October 2020, which emphasizes efforts to be made on strengthening the construction of water conservancy infrastructure, improving the optimal allocation of water resources and preventing floods and droughts.

Concession in Municipal Public Utilities Projects

The Opinion on Accelerating the Marketization of Municipal Public Utilities Industry (關於加快市政公用行業市場化進程的意見) promulgated and implemented by the MOHURD on December 27, 2002, the Measures for the Administration on the Concession of Municipal Public Utilities (市政公用事業特許經營管理辦法) promulgated by the MOHURD on March 19, 2004 and implemented on May 1, 2004 and revised on May 4, 2015, and the Opinion on Strengthening the Supervision of Municipal Public Utilities (關於加強市政公用事業監管的意見) promulgated and implemented by the MOHURD on September 10, 2005 (collectively referred to as the "Tender Measures") govern the regulations of the grant of concession rights for municipal public utilities projects, including wastewater treatment and water supply projects. Under these regulations, government authorities should select investors for or operators of municipal public utilities projects through a public bidding process and enter into concession agreements with them to grant concession rights. The Tender Measures further require concession agreements to be entered into for all municipal public utilities projects prior to the commencement of a concession period. However, in the event that a concession project fails to comply with such requirement before commencement, the parties may rectify the non-compliance under the Tender Measures by entering into written concession agreements in a timely manner.

According to the Measures for the Administration on the Concession of Infrastructure and Public Utilities (基礎設施和公用事業特許經營管理辦法), which was jointly promulgated by the Ministry of Finance, the MOHURD, the Ministry of Transport, the Ministry of Water Resources, the NDRC and the PBOC on April 25, 2015 and implemented on June 1, 2015, the concession agreement shall be executed for the concession. Implementing institutions shall, according to the approved implementation plans of concession projects, select concessionaires through competitive modes including bidding and competitive negotiation. Where concession projects have specific construction and operation standards and supervision requirements, and the market competition in the relevant sector is adequate, concessionaires shall be chosen through bidding.

Terms of Concession Rights

According to the Measures for the Administration on the Concession of Municipal Public Utilities (市政公用事業特許經營管理辦法), concession rights for municipal public utilities projects should have a term not exceeding 30 years. However, according to the Measures for the Administration on the Concession of Infrastructure and Public Utilities (基礎設施和公用事業特許經營管理辦法), the concession term for infrastructure and public utilities concession projects with significant investment scale and long investment return cycle, government or its authorized department may discretionarily grant a concession term of more than 30 years, depending on the actual situation of projects. After the term expires, governments may re-select the concessionaire based on the relevant procedures.

Pricing

According to the Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例), promulgated on October 2, 2013 and implemented on January 1, 2014 by the State Council of the PRC, where a concession contract or contract for entrusted operation involves the elimination of pollutants and service fees for sewage treatment operation, the competent departments of urban drainage shall consult with the competent environmental protection and pricing departments. The government encourages the implementation of a concession system for urban sewage treatment.

The Measures for the Administration of of Water Supply Prices in Cities and Towns (城鎮供水價格管理辦法), promulgated on August 3, 2021 and on October 1, 2021 by the NDRC and MOHURD regulate the pricing of municipal water. In general, the competent pricing department of governments at or above county level regulates the pricing of water supply in cities and towns. The regulations require a hearing to be held before a pricing mechanism and pricing level on water for residential use are adopted and require public announcement before it takes effect. Such water price shall be decided by means of permitted cost with reasonable profits to first determine the permitted revenue, which consists of permitted cost, permitted profits and tax. Water supply price shall be classified and decided on basis of such permitted revenue.

A municipal water supplier may propose price adjustments by filing an written application with the competent pricing department.

The water supply enterprise shall publicize all kinds of water prices, extended service prices, agency charging standards, regulatory basis, service consultation hot-line and complaint hot-line in prominent locations of business premises and corporate official websites, and regularly announce the water taken amount, water supply amount, water sales amount, water sales revenue, water quality inspection reports and other related information. Enterprises that stop water supply without authorization or fail to repair water supply facilities in time or in accordance with regulations will be punished according to the laws.

According to the Circular on the Relevant Issues concerning the Formulation and Adjustment of the Charging Standard for Sewage Treatment (關於制定和調整污水處理收費標準等有關問題的通知) jointly promulgated and implemented on January 21, 2015 by the NDRC, the Ministry of Finance, the MOHURD, the charging policy for sewage treatment fees should be based on the principles of "polluter pays," "Equitable Burden Sharing," "Cost-reimbursement," "Reasonable Profit Sharing" and take into account of factors including the conditions of the water pollution prevention and control and the economic capacities of the region. The fee structure shall aim to compensate for the operating cost of sewage treatment and disposal facilities and allow a reasonable return of profit. By the end of 2016, the charging standard for sewage treatment in municipal cities shall be set at a rate of no less than RMB0.95 per ton for residents and no less than RMB1.4 per ton for non-residents; the charging standard for sewage treatment in counties and major designated towns shall be set at a rate of no less than RMB0.85 per ton for residents and no less than RMB1.2 per ton for non-residents. When the charging standard for sewage treatment reaches the minimum but is unable to compensate for the cost and generate a reasonable profit, it shall be adjusted in consideration of the foregoing factors.

With respect to the places in which the sewage treatment fees are not yet collected, sewage treatment fees shall start to be collected by the end of 2015, and the sewage treatment plants shall be built and put into operation within three years. In formulating and adjusting the charging standard for sewage treatment, local governments shall follow the pricing procedures including cost supervision for sewage treatment enterprises and expert demonstration and peer review, ensure a rational, fair and transparent process, and balance and protect the legitimate rights and interests of consumers and operators.

Water Quality

The water quality of the domestic drinking water provided by centralized and non-centralized water supply enterprises in urban and rural areas should meet the standards set out in the Standards for Drinking Water Quality (生活飲用水衛生標準) (GB5749-2006), promulgated on December 29, 2006 and effective from July 1, 2007. The Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (城鎮污水處理廠污染物排放標準) (GB 18918-2002), promulgated on December 3, 2002 and amended on May 8, 2006, sets out the water quality standard for effluent that flows from municipal wastewater treatment plants. According to the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), promulgated on May 11, 1984 and amended on May 15, 1996, February 28, 2008 and July 27, 2017, companies in the operation of centralized treatment facilities for municipal wastewater are held accountable for the quality of the effluent from the wastewater treatment plants.

Government Supervision

According to the Measures for the Administration on the Concession of Municipal Public Utilities (市政公用事業特許經營管理辦法) and the Opinion of Ministry of Construction on Strengthening the Supervision of Municipal Public Utilities (建設部關於加強市政公用事業監管的意見), provincial construction bureaus are the primary regulators supervising the operation of local public utility concession projects (including municipal wastewater treatment, water supply and waste incineration and power generation projects). The government employs the following measures to supervise concession projects and operators with concession rights:

A. Routine supervision

The supervising authority will carry out periodic spot checks on the quality of the products and services provided by the municipal public utilities operators and will monitor the cost of such products and services.

B. Mid-term assessment

During the course of project operation, the competent authority will engage experts to carry out mid-term assessment on the performance of the operators who have concession rights at least every two years or, under special circumstances, once a year.

C. Supervision of material matters

Unless with prior government permission, a municipal public utilities operator cannot transfer or lease its concession rights, dispose of or mortgage project assets, shut down or wind up during the concession period. Unless and until an enterprise with concession right obtains permission from the supervising authority, it cannot unilaterally terminate the agreement and must continue to carry out its ordinary business and service.

D. Consequences of violations

If the enterprise with concession right is engaged in any of the following conduct, the competent authority will terminate the concession agreement and may take over the enterprise temporarily:

(i) transferring or leasing the concession rights without authorization;

(ii) disposing of or mortgaging business assets without authorization;

(iii) having poor management which leads to material quality or production safety accidents;

(iv) shutting down or winding up without permission which seriously affects public interest and safety; and

(v) any other conducts prohibited by laws or regulations.

Business Qualifications and Licenses

Health Permit

By the Measures for the Administration on the Health Supervision of Domestic Drinking Water (生活飲用水衛生監督管理辦法), promulgated on September 1, 1996 and implemented on January 1, 1997 and amended on February 12, 2010 and April 17, 2016 by the MOHURD and NHFPC, China implemented a health permit system to regulate the water supply units and drinking water products. Drinking water products supplied by the water supply units must meet the national sanitary standards for drinking water. In addition, centralized water supply units must obtain a health permit issued by the health administrative departments of a local people's government at or above the county level. The health permit certificate is valid for a term of four years, and the water supply units may apply for recertification within six months prior to its expiration.

Water Intake Permit

According to the Water Law of PRC (中華人民共和國水法), promulgated January 21, 1998 and amended on August 29, 2002, August 27, 2009 and July 2, 2016 by the Standing Committee of the National People's Congress of the PRC, the Regulations on Administration of Water Intake Permit and Collection of Water Resources Charges (取水許可和水資源費徵收管理條例), promulgated on February 21, 2006 and implemented on April 15, 2006 and amended on March 1, 2017 by the State Council, and the Measures on Administration of Water Intake Permit (取水許可

管理辦法), promulgated and implemented on April 9, 2008 and revised on December 16, 2015 and December 22, 2017 by the Ministry of Water Resources, other than those who are exempted from the water intake permit requirement, where an entity or individual will extract water resources from rivers, lakes or underground water, it shall apply for a water intake permit at the competent authority, obtain the water rights and pay water resources fee. Entities or individuals shall extract water in accordance with an approved annual water intake plan. A water resources fee will be assessed at a progressive rate for the quantity of water extracted to the extent exceeding the limit specified in the plan. A water intake permit generally has a term of five years and in any case not exceeding ten years. Application for extension of the permit may be submitted within 45 days before expiration date.

Wastewater Discharge Permit

According to the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), revised on June 27, 2017 and implemented on January 1, 2018 by the Standing Committee of the National People's Congress and its implementation rules, enterprises in the operation of centralized treatment facilities of urban wastewater shall obtain a wastewater discharge permit. Enterprises and institutions must obtain the permit to discharge wastewater and sewage and must carry out the discharge in accordance with the permit.

According to the Regulation on Pollutant Discharge Permit Administration (《排污許可管理條例》) issued by the State Council on January 24, 2021 and effective on March 1, 2021, to further enhance the pollutant discharge administration. The administration on pollutant discharging entities are divided into key management and simplified management pursuant to the amount of pollutant caused and discharged and the impact on the environment. The review, decision and information disclosure of pollutant discharge licenses shall be handled through the national pollutant discharge license management information platform. The pollutant discharge license is valid for 5 years and the pollutant discharging entity should apply for renewal 60 days prior to the expiry date.

Construction Enterprise Qualification

According to the Measures of Regulation on Construction Enterprise Qualification (建築業企業資質管理規定) promulgated on October 6, 1995 and latest revised in December 22, 2018 by the MOHURD, a Class 2 qualification of general contractors shall be issued by the competent departments of construction of the government of the province, autonomous region and municipality directly under the central government where the enterprise registered its business license, and a Class 3 qualification (other than the Class 3 qualification for constructing railway and communication projects under the general contract) of general contractors shall be issued by the competent departments of construction of the government of the city where the enterprise registered its business license. Both qualifications are valid for five years.

PRC Laws Relating to Environmental Protection

By the Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated on April 24, 2014 by the Standing Committee of the National People's Congress of the PRC and effective from January 1, 2015, China adopts policies and measures relating to finance, taxation, pricing and government procurement to encourage and support environmental protection industries the development of environmental protection technologies and equipment, the integrated use of resources, and environmental services in environmental protection industries. In particular, the relevant government entities will provide a wide range of preferential treatments, such as fiscal assistance, favorable taxation, pricing and government procurement policies to enterprises, public institutions, and other producers and business operators for reducing pollution levels below the statutory discharge limit.

By the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), promulgated on October 28, 2002 by the Standing Committee of the National People's Congress and with effect from September 1, 2003 as amended on July 2, 2016 and December 29, 2018, the PRC government established a system to assess the environmental impact of construction projects and classify levels of the assessment based on the degree of environmental impact caused by construction projects.

According to the Rules on the Administration concerning Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated and implemented on November 29, 1998 and amended on July 16, 2017 by the State Council of the PRC. A construction project for which an environment impact report or environment impact statement is formulated shall be put into production or use only when its complementary environmental protection facilities pass acceptance inspection. Where the environmental protection facilities have not undergone acceptance inspection or do not pass acceptance inspection, the construction project shall not be put into production or use.

The Action Plan to Tackle Water Pollution (水污染防治行動計劃), or the Water Action Plan, promulgated and implemented on April 2, 2015 by the State Council, sets forth the following goals:

(i) Before the end of 2020, China's water environment quality will periodically improve; the proportion of severely polluted water bodies will be greatly reduced and the quality of drinking water will be continuously improved; groundwater overdraft will be controlled strictly; the aggravated pollution of groundwater will be preliminarily controlled; the environmental quality of offshore areas, and the aquatic ecosystem in areas such as the Beijing-Tianjin-Hebei Region, will be improved; and

(ii) The government will work to improve the quality of the ecological environment before the end of 2030 and to realize the virtuous circle of ecosystem by the mid-21st century.

In order to achieve these goals, the Water Action Plan contemplates that the following ten measures will be adopted:

(i) To further control the discharge of pollutants and to implement emission reduction measures to combat the pollution caused by industries, urban living, agriculture and the rural sector, ships and ports;

(ii) To further stimulate the economic restructuring and upgrading; and to utilize industrial water, reclaimed water and seawater to promote cyclic development;

(iii) To implement measures to continue saving and protecting water resources, specifically a strict management system of water resources to control the overall use of water, improve water-use efficiency and protect the ecological flows of key rivers;

(iv) To further improve the scientific and technological support; to promote advanced technologies and strengthen fundamental research; to further regulate the environmental protection industry and promote the development of the environmental protection service industry;

(v) Relevant government authorities to promote water price reform, improve taxation policies, facilitate diversified investment and establish an incentive mechanism that promotes water environment treatment;

(vi) To make relevant law enforcement and supervision stricter so as to implement harsher punishment for environmental violations and illegal construction projects;

(vii) To further strengthen management of water environment; specifically, the relevant government authorities will strictly control the amount of pollutants and the environmental risks;

(viii) Relevant government authorities to ensure the safety of aquatic ecosystem, including ensuring the safety of drinking water sources, controlling underground water pollution and pollution in major river basins, and strengthening the protection of water bodies and the ocean environment, so that by the end of 2017, foul water in urban built-up areas shall be substantially eliminated;

(ix) To further clarify the duties of various government authorities and enterprises; to hold local governments more accountable for the protection of the water environment; specifically, the central government will check the implementation of the Water Action Plan in different basins, regions and sea areas every year; to ensure that the enterprises discharging water pollutant strictly comply with the relevant laws and regulations; and

(x) To encourage and improve public participation and community supervision; governments to regularly publish information in relation to water environment according to relevant laws and regulations.

PRC Taxation

Enterprise Income Tax

According to the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), or the EIT Law, which was promulgated on March 16, 2007 by the National People's Congress of the PRC and took effect on January 1, 2008 and amended on December 29, 2018, and its implementation regulations, both domestic and foreign-invested enterprises incorporated in the PRC are subject to enterprise income tax at a rate of 25%. Non-resident enterprises that have set up institutions or premises in the PRC are also subject to enterprise income tax to the extent of the income that is generated by such institutions or premises in the PRC and the income originated outside the PRC are actually related to the institutions or establishments. Non-resident enterprises that do not have institutions or establishments in the PRC or do not have income relating to such institutions or establishments are subject to enterprise income tax at a rate of 10% for income originating from the PRC.

Pursuant to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), which took effect on December 8, 2006, and the Notice of the State Administration of Taxation on Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知), promulgated and took effect on February 20, 2009, the dividends paid by a PRC resident enterprise to a Hong Kong enterprise are subject to withholding tax at a rate of 5% if the Hong Kong enterprise has directly owned at least 25% of the capital of the PRC enterprise during a period of 12 months immediately preceding the date of the receipt of such dividends, or otherwise at a rate of 10%. Further, according to the Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties（國家稅務總局關於稅收協定中"受益所有人"有關問題的公告）, issued on February 3, 2018 and effective on April 1, 2018 by the State Administration of Taxation of the PRC, non-resident enterprises are required to obtain approval from the competent tax authorities before they can claim the preferential tax treatments under the treaties. However, the preferential tax treatments under the treaties are not available to recipient companies that are considered pass-through entities rather than qualified owners of benefits. In addition, if the relevant tax authorities consider a transaction or arrangement to be entered into mainly for the purpose of the favorable tax treatments, the tax actually withheld or paid may subsequently be subject to adjustment by the relevant tax authorities.

Value Added Tax

Before June 30, 2015, wastewater treatment fees are exempted from value added tax under relevant requirements of the Circular Concerning Value-Added Tax Policy on Sewage Treatment Charges (關於污水處理費有關增值稅政策的通知), issued on June 19, 2001 by the Ministry of Finance and the State Administration of Taxation, the Circular on Strengthening Water Supply, Water Saving and Preventing Water Pollution in Urban Areas (關於加強城市供水節水和水污染防治工作的通知) issued by the State Council on November 7, 2000, the Circular Concerning Value-Added Tax Policy on Comprehensive Utilization of Resources and Other Products (關於資源綜合利用及其他產品增值稅政策的通知) issued by the Ministry of Finance and the State Administration of Taxation on December 9, 2008 and repealed on July 1, 2015.

Beginning on July 1, 2015, pursuant to the Preferential Value Added Tax Policy of Comprehensive Utilization of Resources and Other Products Directory (關於印發資源綜合利用產品和勞務增值稅優惠目錄的通知) issued on June 12, 2015 and revised on October 24, 2019 by the Ministry of Finance and the State Administration of Taxation, entities and individuals are entitled to a refund of value added tax for the sales of self-produced products made through resources comprehensive utilization and the provision of labor services involving the comprehensive utilization of resources, including wastewater treatment services, subject to the satisfaction of certain requirements.

Urban Maintenance and Construction Tax as well as Education Surtax

Pursuant to the Law of the People's Republic of China on Urban Maintenance and Construction Tax (中華人民共和國城市維護建設稅法) promulgated by the NPC on August 11, 2020 and effective on September 1, 2021 entities or individuals who are subject to consumption tax and value added tax are also in urban areas, in county or town areas; or in other areas, respectively. The "location of the taxpayer" mean the location where the taxpayer domiciles or other locations related to the production and operation activities of the taxpayers. The specific locations shall be determined by the provinces, autonomous regions and municipalities directly under the central government. liable for urban maintenance and construction tax. They are required to pay the urban maintenance and construction tax simultaneously with the consumption tax and value added tax. Urban maintenance and construction tax rate shall be assessed at a rate of 7%, 5% and 1% in cities, in county towns or towns, and in places other than a city, county town or town, respectively.

In accordance with the Tentative Provisions on the Collection of Educational Surtax (徵收教育費附加的暫行規定), promulgated on April 28, 1986 and implemented on July 1, 1986 by the State Council and most recently revised on January 8, 2011, entities and individuals who are subject to consumption tax and value added tax are also liable for educational surtax at a rate of 3% of the amount of value added tax and consumption tax actually paid. They are required to pay the educational surtax simultaneously with value added tax and consumption tax.

Distribution of Profits

According to the Company Law of the PRC (中華人民共和國公司法), amended on October 26, 2018 and effective on the same day by the Standing Committee of the National People's Congress of the PRC, a company's profit distribution plans and loss recovery plans shall be approved by the company's shareholders in shareholders general meeting. Companies incorporated in the PRC are required to set aside a minimum of 10% of the entity's profit after taxation each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds reaches 50% of the company's registered capital. No profits of a particular year may be distributed if a PRC company had losses in a prior fiscal year. Retained profits from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

DIRECTORS AND MANAGEMENT

Directors of the Company

Our board of directors is responsible for and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our board of directors:

Name	Age	Position
Duan Chuan Liang (段傳良)	58	Executive director and chairman
Ding Bin (丁斌)	45	Executive director
Liu Yu Jie (劉玉杰)	57	Executive director
Li Zhong (李中)	53	Executive director
Duan Jerry Linnan (段林楠)	30	Executive director
Zhao Hai Hu (趙海虎)	66	Non-executive director
Makoto Inoue (井上亮)	68	Non-executive director
Wang Xiao Qin (王小沁)	48	Non-executive director
Chau Kam Wing (周錦榮)	58	Independent non-executive director
Siu Chi Ming (邵梓銘)	41	Independent non-executive director
Ho Ping (何萍)	50	Independent non-executive director
Zhou Nan (周楠)	36	Independent non-executive director
Chan Wai Cheung Admiral (陳偉璋)	48	Independent non-executive director

Executive Directors

Mr. Duan Chuan Liang (段傳良), aged 58, graduated from the North China College of Water Conservancy and Hydro Power with a bachelor's degree, majoring in irrigation and water conservancy works. Mr. Duan worked for The Ministry of Water Resources of the PRC for more than ten years. He is the founder of water business of the Group and has over 30 years of deep and solid experience in the water industry. He joined us in 2003.

Ms. Ding Bin (丁斌), aged 45, has over 20 years of experience in financial management and tax planning. Ms. Ding graduated from Zhengzhou University of Technology in finance and computing management. Ms. Ding is a Certified Public Accountant in the PRC. Ms. Ding joined us in 2007.

Ms. Liu Yu Jie (劉玉杰), aged 57, graduated from University of International Business and Economic in Beijing and obtained a Master of Business Administration degree. Ms. Liu has been working in Hong Kong, Singapore and the PRC for over 20 years in total and is familiar with the business environment and regulatory system of the three places. She has comprehensive experience in capital markets, business promotion and corporate management: participated in IPO and underwriting of over 30 companies on the Hong Kong Stock Exchange; led and completed merger and acquisition of three companies in Hong Kong and Singapore; assisted capital raising and management of large-scale industrial fund for investment in China; acted as executive directors of listed companies in Hong Kong and Singapore which engage in utilities and infrastructure investment. Currently, she is also the executive director of New Universe Environmental Group Limited (stock code: 436) and Kangda International Environmental Company Limited (stock code: 6136), and an independent non-executive director of Zhongyu Gas Holdings Limited (stock code: 3633), which are listed on the main board of the Hong Kong Stock Exchange. She joined us in 2014.

Mr. Li Zhong (李中), aged 53, graduated from the Beijing University of Chemical Technology with a major in Polymer Materials, and obtained a Master of Business Administration degree from Saint Mary's University of Canada in 1997. He holds registered engineer certifications from both Mainland China and Canada, and has served in large State-owned enterprises and renowned global enterprises in Mainland China and Hong Kong for nearly 30 years. Since 2002, he has dedicated himself to urban public utilities with a focus on water affairs, as well as the investment, management and operation of infrastructure projects. Since 2004, he has been a director of Shenzhen Bus Group Co., Ltd. Mr. Li also serves as deputy president of China Environmental Chamber of Commerce, a Standing Committee Member of the China Overseas Friendship Association and the honorary chairman of the Hong Kong Volunteers Association. Mr. Li is also the co-chairman and executive director of Kangda International Environmental Company Limited, which is listed on the main board of the Hong Kong Stock Exchange (stock code: 6136). He joined us in 2015.

Mr. Duan Jerry Linnan (段林楠), aged 30, studied in Beijing Normal University with a major in psychology. Mr. Duan joined the Company as the president assistant in 2011, mainly focusing on hotel operation and intelligent water businesses. At the same time, Mr. Duan assisted the directors of the Company in capital market and investor relations, etc. In 2015, Mr. Duan was appointed as the general manager of the hotel under the Group in Nanjing, and was in charge of the construction, procurement and daily operation of various hotels of the Group. Mr. Duan holds directorship or senior management positions in various subsidiaries of the Company. Mr. Duan is also the executive director and chief executive officer of Kangda International Environmental Company Limited, which is listed on the main board of the Hong Kong Stock Exchange (stock code: 6136). Mr. Duan has comprehensive experiences in human resources and corporate management. Mr. Duan is the son of Mr. Duan Chuan Liang, the substantial shareholder, chairman and executive director of the Company.

Non-executive Directors

Mr. Zhao Hai Hu (趙海虎), aged 66, graduated from Zhejiang University with a master's degree in engineering. Mr. Zhao acted as an assistant to the head of North China College of Water Conservancy and Hydro Power. He was also the head of the infra-structure department and the head of the personnel department. He was a general manager of an irrigation technology company which was principally engaged in the research and development of irrigation and hydroelectric technology. Mr. Zhao has over 40 years' experience in project management, research and development and engineering of irrigation, hydroelectric and water supply. He joined us in 2003.

Mr. Makoto Inoue (井上亮), aged 68, graduated from Chuo University in Japan with a Bachelor of Law in 1975. Mr. Makoto joined ORIX Corporation, a company listed on the Tokyo Stock Exchange and New York Stock Exchange, in 1975, where he is currently a director, representative executive officer, and the president and chief executive officer. He has over 40 years of experience in leasing and finance, investment banking, and alternative investment in a global context. He was also the non-executive director of Haichang Ocean Park Holdings Ltd. (stock code: 2255), a company listed on the main board of the Hong Kong Stock Exchange. He joined us in 2012.

Ms. Wang Xiao Qin (王小沁), aged 48, graduated from the Shenzhen University majoring in International Finance, and received a Master of Business Administration degree from the University of Ballarat in Australia. She has held senior management position in finance and technology companies, and has extensive experience in such fields. She joined us in 2004.

Independent Non-executive Directors

Mr. Chau Kam Wing (周錦榮), aged 58, has over 30 years of experience in auditing, taxation and financial management and had been appointed as financial controller of a number of companies listed in Hong Kong. Mr. Chau obtained a Master of Business Administration degree from the University of San Francisco, United States in 2000. He is also a fellow member of The Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. Mr. Chau is currently the finance director of Winox Holdings Limited (stock code: 6838), and an independent non-executive director of Carpenter Tan Holdings Limited (stock code: 837), Ching Lee Holdings Limited (stock code: 3728) and Kangda International Environmental Company Limited (stock code: 6136), which are listed on the main board of the Hong Kong Stock Exchange. Mr. Chau is also an independent non-executive director of Eco-Tek Holdings Limited (stock code: 8169), and was an independent non-executive director of Zhejiang Chang'an Renheng Technology Co., Ltd. (stock code: 8139) from 8 May 2014 to 11 May 2019, both of which are listed on the GEM of the Hong Kong Stock Exchange. He joined us in 2007. He is also the chairman of the audit committee and remuneration committee and a member of the nomination committee of the Company.

Mr. Siu Chi Ming (邵梓銘), aged 41, holds a Bachelor of Business Administration (Accounting) from Hong Kong Baptist University. He is a member of the Association of Chartered Certified Accountants and an associate of Hong Kong Institute of Chartered Secretaries as well as the Institute of Chartered Secretaries and Administrators. Mr. Siu is the executive director and company secretary of Jiu Rong Holdings Limited, which is listed on the main board of the Hong Kong Stock Exchange (stock code: 2358) and an independent non-executive director of Ying Kee Tea House Group Limited (stock code: 8241), which is listed on the GEM of the Hong Kong Stock Exchange. Mr. Siu was a senior manager of a corporate finance division of a licensed corporation registered under Securities and Futures Ordinance (the "SFO") and a licensed person registered under the SFO to carry on type 6 (advising on corporate finance) regulated activities. He has been involved in several corporate finance transactions including mergers and acquisitions, corporate reorganization and a variety of fund raising exercises. Mr. Siu joined us in 2016. He is also a member of the audit committee, remuneration committee and nomination committee of the Company.

Ms. Ho Ping (何萍), aged 50, graduated from Inner Mongolia Finance and Economics College with a bachelor degree in accounting. She has over 15 years of experience in the securities industry in the PRC and was a senior manager at the investment banking department of China Investment Securities Limited Liability Company. She joined the Group in 2017. She is also a member of the audit committee, remuneration committee and nomination committee of the Company.

Ms. Zhou Nan (周楠), aged 36, was graduated from the University of Maryland at College Park, USA with Double Bachelor Degrees in Economics and Accounting. She obtained her degree in Master of Business Administration from the Wharton School, University of Pennsylvania, USA. Ms. Zhou is Director of Qualcomm Ventures. Previously she was Head of USA, Baidu Changcheng Investment Partners. Ms. Zhou initially joined Baidu in 2016 to lead Baidu's strategic & venture investment in the USA. There she established Baidu's venture fund platform in Silicon Valley, and built the investment landscape for both Baidu and Baidu's affiliated funds in the USA. During her career at Baidu Investment, she developed in-depth industry insights in artificial intelligence (AI) and its application across different industries, self-driving cars (sensor & system), deep-tech/semiconductor/edge computing, digital health, and SaaS. Prior to joining Baidu, Ms. Zhou worked for reputable investment banks in Hong Kong and the USA and was responsible for numerous

IPOs, merger and acquisitions and fund raising exercises and has gained extensive experience, expertise and connections in the capital markets of Hong Kong and the USA. Ms. Zhou joined the Group in 2019. She is also a member of the audit committee and remuneration committee of the Company.

Mr. Chan Wai Cheung Admiral (陳偉璋), aged 48, holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in the accounting and auditing fields. Mr. Chan is an executive director and the company secretary of Energy International Investments Holdings Limited (stock code: 353), an independent non-executive director of each of SFund International Holdings Limited (stock code: 1367) and Zhong Ao Home Group Limited (stock code: 1538), which are listed on the main board of the Hong Kong Stock Exchange. Mr. Chan was also an independent non-executive director of Century Energy International Holdings Limited (formerly known as China Oil Gangran Energy Group Holdings Limited) (stock code: 8132) from March 2020 to August 2021, which is listed on the GEM of the Hong Kong Stock Exchange. Mr. Chan was a non-executive director of China Nonferrous Metals Company Limited (stock code: 8306) from June 2015 to May 2019, which was listed on the Hong Kong Stock Exchange; and an independent non-executive director of Carnival Group International Holdings Limited (stock code: 996) from December 2014 to April 2019, which is listed on the Hong Kong Stock Exchange. Mr. Chan joined the Group in 2020. He is also a member of the audit committee and remuneration committee of the Company.

Board Committees of the Company

Audit Committee

The Company has an audit committee in compliance with the Hong Kong Listing Rules. The audit committee consists of five members, all of whom are independent non-executive directors of the Company. The chairman of the audit committee is Mr. Chau Kam Wing, an independent non-executive director.

The principal duties of the audit committee are to review the accounting policies and to supervise the Company's financial reporting process. The audit committee is also responsible for monitoring the performance of both internal and external auditors, reviewing and examining the effectiveness of risk management and internal control measures. In addition, the audit committee ensures compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements.

Remuneration Committee

The Company has a remuneration committee. The remuneration committee consists of five members, all of whom are independent non-executive directors of the Company. The chairman of the remuneration committee is Mr. Chau Kam Wing, an independent non-executive director.

Remuneration Committee is responsible for making recommendations to the board on the remuneration packages of directors and senior management, with reference to directors' duties, responsibilities and performance and the results of the Group. No director will be involved in deciding his own remuneration.

Nomination Committee

The Company has a nomination committee. The nomination committee consists of four members, with one executive director and three independent non-executive directors. The chairman of the nomination committee is Mr. Duan Chuan Liang, an executive director.

The nomination committee, with the aim to build up a strong and diverse board, would identify suitable and qualified individuals, in particular those who can add value to the management through their expertise in the relevant strategic business areas, to be board members, and would recommend the board on relevant matters relating to the appointment or re-appointment of directors, if necessary. The nomination committee shall meet before the holding of each annual general meeting of the Company where the appointment of directors of the Company will be considered. Additional meetings should be held as and when the work of the nomination committee demands.

Senior Management of the Company

Mr. Lie Chi Wing, Aston (李志榮), aged 43, is the company secretary of the Company. He holds a Bachelor of Business Administration (First Class Honors) from The Hong Kong University of Science and Technology. He is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. He is also a Chartered Financial Analyst. Mr. Lie has extensive experience in auditing and corporate advisory services with major international accounting firms. Mr. Lie is also an independent non-executive director of China Rongzhong Financial Holdings Company Limited, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 3963). He joined us in 2010.

Mr. Liu Yong (劉勇), aged 51, is the general manager of the Group. Mr. Liu graduated from the Southeast University in 1991 with a major in detection technology and instrument of the Department of Automatic Control and obtained an Executive Master of Business Administration from Fudan University. He studied water supply and drainage in the East China Jiaotong University from 1993 to 1994 and was awarded the qualification of senior water supply and drainage engineer in 2004. He also holds the PRC Certified Asset Appraiser Qualification Certificate. Mr. Liu has over 15 years of senior management experience in water project design, water construction project management and water plant operation in water industry in China. He joined us in 2006.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund the construction of our projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions and enterprises. As of September 30, 2021, we had total consolidated indebtedness of approximately HK$19.8 billion (US$2.5 billion). Subsequent to September 30, 2021, we have also incurred additional indebtedness in the ordinary course of business. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with local branches of various PRC banks and financial institutions. These loans are mainly used to finance the construction of our projects and our working capital requirements. The loans have terms ranged from one year to 15 years, which generally correspond to the construction periods of the particular projects. As of September 30, 2021, the aggregate outstanding amount under these loans totalled approximately RMB7.3 billion (US$1.1 billion), of which RMB2.0 billion (US$0.3 billion) was due within one year and RMB5.3 billion (US$0.8 billion) was due over one year. Our PRC loans are typically secured by trade receivables, properties as well as guaranteed by certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under our PRC loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of September 30, 2021, the weighted average effective interest rate on the aggregate outstanding amount of our PRC loans was 5.3% per annum.

Covenants

Under these PRC loans, certain of our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- transferring part or all of their liabilities under the loans to a third party;
- prepaying the loans;
- declaring or payment dividends before any principle schedule payments and interest payments of such company;

- selling or disposing of material assets; and

- incurring other indebtedness that may materially and adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with PRC banks and financial institutions in connection with some of the PRC loans, pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, certain of the PRC loans were secured by trade receivables and properties held by the subsidiary borrowers and/or our other PRC subsidiaries.

Dividend Restrictions

Pursuant to its loan agreement with a PRC bank, one of our PRC subsidiaries has agreed not to distribute any dividend until it timely or fully repays the principal and interest of the loan. See "Risk Factors—Risks Relating to the Notes—Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries."

Offshore Facility Agreements

We have entered into facility agreements or facility letters with offshore banks and financial institutions, including, without limitation, Asian Development Bank, Hitachi Capital (Hong Kong) Ltd., Australia and New Zealand Banking Group Limited, The Bank of New York Mellon, Hong Kong Branch, DEG—Deutsche Investitions—Und Entwicklungsgesellschaft MBH, Société de Promotion et de Participation pour la Coopération Economique S.A., Bank of Communications Co., Ltd. Hong Kong Branch, Tai Fung Bank Limited, Sumitomo Mitsui Trust Bank, Limited, China CITIC Bank International Limited, Far Eastern International Bank Co., Ltd., Keb Hana Bank (China) Company Limited, State Bank of India, Hong Kong Branch and CMB Wing Lung Bank Limited. As of September 30, 2021, the aggregate outstanding principal amount under all offshore facilities is approximately US$1.4 billion. We have, since September 30, 2021, in the ordinary course of business, entered into additional offshore facilities.

Our offshore facilities typically have terms ranging from three year to ten years.

Guarantee and Security

The obligations pursuant to facility agreement we entered into with DEG—Deutsche Investitions—Und Entwicklungsgesellschaft MBH, as facility agent and lender, and Société de Promotion et de Participation pour la Coopération Economique S.A., as lender, on November 6, 2018 (as amended on September 9, 2019) is currently secured by security interests over a debt service reserve account and guaranteed by certain of our subsidiaries jointly and severally.

The obligations pursuant to facility agreements or facility letters we entered into with (i) Asian Development Bank on March 2, 2018 (as amended on March 28, 2019 and further amended and restated on March 13, 2020); (ii) Australia and New Zealand Banking Group Limited and The Bank of New York Mellon, Hong Kong Branch on March 29, 2018 (as amended on February 14, 2019); (iii) Australia and New Zealand Banking Group Limited and The Bank of New York Mellon, Hong Kong Branch on January 18, 2019; (iv) Tai Fung Bank Limited on September 24, 2019; (v) Bank of Communications Co., Ltd. Hong Kong Branch and Sumitomo Mitsui Trust Bank, Limited on October 2, 2019; (vi) China CITIC Bank International Limited on March 6, 2020; and (vii) Far Eastern International Bank Co., Keb Hana Bank (China) Company Limited and State Bank of India, Hong Kong Branch on April 7, 2020 are guaranteed by certain of our subsidiaries jointly and severally.

Interest

The principal amounts outstanding under these loans generally bear interest at floating rates calculated with reference to the LIBOR or HIBOR or fixed interest rates as determined by the lenders.

Covenants

Our offshore facilities contains customary covenants and restrictions, including, amongst other things and subject to certain exceptions, restriction on incurring additional debt, negative pledge on asset, restriction on paying dividends or making other distributions or repurchasing or redeeming our shares and restrictions on entering into sale and leaseback transactions or transactions with our affiliates.

Events of Default

These offshore facilities contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

2017 Senior Notes

On February 7, 2017, we entered into an indenture with Citicorp International Limited, as trustee, and certain of our subsidiaries as subsidiary guarantors (the "2017 Indenture"), pursuant to which we issued US$300,000,000 principal amount of the 5.25% Senior Notes due 2022 (the "2017 Senior Notes"). As of the date of this offering memorandum, the total outstanding amount of the 2017 Senior Notes is US$150 million.

Interest

The 2017 Senior Notes bear an interest rate of 5.25% per annum, payable semi-annually in arrears on February 7 and August 7 of each year, commencing August 7, 2017.

Guarantee

Our obligations under the 2017 Senior Notes are guaranteed by certain of our subsidiaries as subsidiary guarantors. Each of the subsidiary guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the 2017 Senior Notes. A subsidiary guarantee given by a related subsidiary guarantor may be released in certain circumstances.

Maturity and Redemption

The maturity date of the 2017 Senior Notes is February 7, 2022.

At any time on or after February 7, 2020 and prior to February 7, 2021, the Company may at its option redeem the 2017 Senior Notes, in whole or in part, at a redemption price equal to 102.6250% of the principal amount of the 2017 Senior Notes plus accrued and unpaid interest to (but not including) the redemption date. At any time on or after February 7, 2021, the Company may at its option redeem the 2017 Senior Notes, in whole or in part, at a redemption price equal to 101.3125% of the principal amount of the 2017 Senior Notes plus accrued and unpaid interest to (but not including) the redemption date.

Change of Control

Not later than 30 days following an event of change of control, we are obligated to make an offer to repurchase all outstanding 2017 Senior Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Covenants

Subject to a number of important qualifications and exceptions, the 2017 Senior Notes, the 2017 Indenture and the related subsidiary guarantees limit the our ability and the ability of each of the related restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of the related restricted subsidiaries;
- guarantee indebtedness of the us or any other related restricted subsidiaries;
- sell assets;
- create liens;

- enter into sale and leaseback transactions;
- enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates;
- effect a consolidation or merger; and
- engage in any business other than businesses permitted by the Indenture.

Events of Default

The 2017 Indenture contains certain customary events of default, including but not limited to default in the payment of principal of (or premium, if any, on) the 2017 Senior Notes when the same becomes due and payable at maturity, default in payment of interest which continues for a period of 30 consecutive days, and default in the performance or breach of the provisions of the covenants specified in the 2017 Indenture. If an event of default occurs and is continuing, the trustee under the 2017 Indenture or the holders of at least 25% of the outstanding 2017 Senior Notes may declare the principal of, premium, if any, and accrued and unpaid interest on the 2017 Senior Notes to be immediately due and payable.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to China Water Affairs Group Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which Guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee."

The additional notes to be issued pursuant to this offering memorandum (the "New Notes") shall constitute a future issuance of, and be consolidated and form a single series with, the US$200,000,000 4.85% senior notes due 2026 issued by the Company on May 18, 2021 (the "Original Notes", and together with the New Notes, the "Notes"). The New Notes have the same terms and conditions as the Original Notes in all respects except for the issue date and the issue price.

The New Notes are to be issued under the indenture (the "Indenture"), dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes and the Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to Applicable Law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under "—The Subsidiary Guarantees" and in "Risk Factors—Risks Relating to the Subsidiary Guarantees";
- effectively subordinated to secured obligations (if any) of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on May 18, 2026, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "—Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued.

The Notes will bear interest at 4.85% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on May 18 and November 18 of each year (each an "Interest Payment Date"), commencing November 18, 2021. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Notes will be paid to the Holders of record at the close of business on May 3 or November 3 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium on, or interest on, the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be an office of the Paying Agent, currently located at c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed (at the expense of the Company) to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors consist of all of the Company's Restricted Subsidiaries other than (i) those Restricted Subsidiaries organized under the laws of the PRC (the "PRC Restricted Subsidiaries") and (ii) China Water Group (HK) Limited (BVI), China Water Supply Group Limited (HK), Gold Tact (Hong Kong) Limited (HK), Create Capital Development Limited (BVI), China Water Property (Hong Kong) Investment Limited and Sharp Profit Investments Limited (BVI) (the "Initial Non-Guarantor Subsidiaries"). All of the Subsidiary Guarantors are holding companies that do not have significant operations.

The Company will cause each of its future Restricted Subsidiaries (other than the PRC Restricted Subsidiaries, the Exempted Subsidiaries or the Listed Subsidiaries), as soon as practicable and in any event within 60 days after it becomes a Restricted Subsidiary or, in the case of an Exempted Subsidiary or a Listed Subsidiary, ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which it will Guarantee the payment of the Notes. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee in accordance with the Indenture, the "New Non-Guarantor Subsidiaries," and together with the Initial Non-Guarantor Subsidiaries, the "Other Non-Guarantor Subsidiaries") at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; *provided that*, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than the Exempted Subsidiaries or the Listed Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20.0% of Total Assets.

Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and, upon execution of the applicable supplemental indenture to the Indenture, will be a "Subsidiary Guarantor." The Other Non-Guarantor Subsidiaries, together with the PRC Restricted Subsidiaries, the Exempted Subsidiaries and the Listed Subsidiaries, are referred to herein as the "Non-Guarantor Subsidiaries."

Subject to the provisions set forth under "—Certain Covenants—Limitation on Issuances of Guarantees by Restricted Subsidiaries", none of the existing PRC Restricted Subsidiaries will provide a Subsidiary Guarantee at any time in the future, and no future PRC Restricted Subsidiaries will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As of September 30, 2021,

- the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total consolidated indebtedness of approximately HK$19.8 billion (US$2.5 billion), of which HK$7.2 billion (US$0.9 billion) was secured; and

- the Non-Guarantor Subsidiaries had total indebtedness of approximately HK$8.8 billion (US$1.1 billion).

In addition, as of September 30, 2021, the Non-Guarantor Subsidiaries had capital commitments of approximately HK$553.9 million (US$71.2 million) for the purchase of property, plant and equipment, other intangible assets, and no material contingent liabilities.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

- is effectively subordinated to the secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to Applicable Law); and

- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries of such Subsidiary Guarantor.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under Applicable Law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including Guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under Applicable Laws. See "Risk Factors—Risks Relating to the Subsidiary Guarantees—The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon a defeasance or satisfaction and discharge as described under "—Defeasance—Defeasance and Discharge" and "—Satisfaction and Discharge";

- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;

- upon the sale, disposition or merger of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under "—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "—Certain Covenants—Limitation on Asset Sales" and "—Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary;

- in the case of a Subsidiary Guarantor that becomes a Non-Guarantor Subsidiary or an Unrestricted Subsidiary, in compliance with the terms of the Indenture; or

- in whole or in part, with the requisite consent of the Holders in accordance with the provisions described under "—Amendments and Waivers."

The Subsidiary Guarantees given by China Water Investment Limited, Cedar Promotion and New Prime Holdings Ltd. may be released when such Subsidiary Guarantors no longer Guarantee any other Indebtedness of the Company or any Subsidiary Guarantor, or the Guarantees provided by such Subsidiary Guarantors with respect to all other Indebtedness of the Company and the Subsidiary Guarantors have been released.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first interest period and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes will then be permitted under the "—Limitation on Indebtedness" covenant described below and the other provisions of the Indenture.

Optional Redemption

At any time and from time to time on or after May 18, 2024, the Company may at its option redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on May 18 of the years indicated below, subject to the rights of holders of the Notes on the relevant Record Date to receive interest on the relevant Interest Payment Date:

Year	Redemption Price
2024	102.4250%
2025 and thereafter	101.2125%

At any time prior to May 18, 2024, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to May 18, 2024, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 104.85% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding immediately after each such redemption and any such redemption takes place within 90 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

(2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, unless otherwise required by law or by applicable stock exchange or clearing system requirements.

No Note of US$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (as defined in clause (2) of the definition of "Offer to Purchase").

The Company will agree in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if (1) a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer, or (2) notice of redemption has been given pursuant to "—Optional Redemption" above, unless and until there is a default in payment of the applicable redemption price.

Notwithstanding anything to the contrary contained under "—Repurchase of Notes Upon a Change of Control Triggering Event," a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditioned upon the consummation of such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control Triggering Event at the time the Change of Control Offer is made.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repayment or repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's or the Subsidiary Guarantors' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under Applicable Law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred or may occur and shall not be liable to any person for any failure to do so. The Trustee shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. Other than specifically provided in the Indenture, the Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under "—Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein (each, as applicable, a "Relevant Taxing Jurisdiction") or any jurisdiction through which payment is made by or on behalf of the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the "Relevant Jurisdictions"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, the Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period; or

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor, addressed to the Holder, to provide any information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the laws of the Relevant Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, duty, assessment or other governmental charge to the extent such tax, duty, assessment or other governmental charge results from the presentation of the Note (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere;

(d) any tax, assessment, withholding or deduction required by section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future U.S. Treasury regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted or published in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included for tax purposes in the income under the laws of a Relevant Jurisdiction, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner, in each case who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

The Company will (i) make any such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with Applicable Law. The Company will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. The Company will furnish to the Holders and the Trustee, within 60 days after the date the payment of any taxes so deducted or withheld is due pursuant to Applicable Law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company will be obligated to pay Additional Amounts with respect to such payment, the Company will deliver to the Trustee an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the Holders on such payment date.

In addition, the Company will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction, excluding any applicable treaty with the Relevant Taxing Jurisdiction, affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective, or an official position is announced (i) except as described in (ii) immediately below, on or after the Original Issue Date, or (ii) with respect to any Surviving Person or Future Subsidiary Guarantor, in each case whose jurisdiction of organization or residence for tax purposes is not already a Relevant Taxing Jurisdiction on the date such Surviving Person or Future Subsidiary Guarantor becomes a Surviving Person or Subsidiary Guarantor (the "Assumption Date"), on or after the Assumption Date, with respect to any payment due or to become due under the Notes, the Subsidiary Guarantee or the Indenture, the Company, Surviving Person or Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, the Surviving Person, or the Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, Surviving Person or Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

(1) an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, stating that such change, amendment or statement of an official position referred to in this section entitled "Redemption for Taxation Reasons" has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, Surviving Person or Subsidiary Guarantor, as the case may be, taking reasonable measures; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in this section entitled "Redemption for Taxation Reasons."

The Trustee is entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders, and will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness; *provided* that, the Company and any Subsidiary Guarantor may Incur Indebtedness and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would not be less than 3.0 to 1.0 with respect to any Incurrence of Indebtedness.

Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary (other than a Subsidiary Guarantor) to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and any Restricted Subsidiary may Incur, to the extent provided below, each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;

(b) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (c) below;

(c) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that, (i) any event which results in (x) any Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or (y) any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (c) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, and if any Subsidiary Guarantor is the obligor on such Indebtedness (and neither the Company nor any other Subsidiary Guarantor is the obligee), such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;

(d) Indebtedness ("Permitted Refinancing Indebtedness") of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), any Indebtedness Incurred under the proviso in paragraph (1) above or clauses (a), (b), (d), (f), (k), (n), (o) or (p) of paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Subsidiary Guarantee shall only be permitted under this clause (d) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, as the case may be, (ii) in case the Indebtedness to be refinanced subordinated in right of payment to the Notes or any Subsidiary Guarantee, such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, and (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

(e) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into to protect the Company or any of its Restricted Subsidiaries from fluctuations in or to manage exposure to interest rates, currencies or the price of commodities and not for speculation;

(f) any Pari Passu Guarantee;

(g) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently, except in the case of daylight overdrafts, drawn against insufficient funds in the ordinary course of business; *provided,* that, this Indebtedness is extinguished within five Business Days;

(h) Indebtedness of the Company or any Restricted Subsidiary in respect of workers' compensation claims and claims arising under similar legislation, or in connection with self-insurance or similar requirements, in each case in the ordinary course of business;

(i) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, in each case Incurred or assumed in connection with the disposition of any business, assets of the Company or of a Restricted Subsidiary, other than Guarantees by the Company or any Restricted Subsidiary of Indebtedness Incurred by any Person acquiring all or any portion of any of the Company's or a Restricted Subsidiary's business or assets for the purpose of financing an acquisition; *provided,* that, the maximum assumable liability in respect of all this Indebtedness shall at no time exceed the gross proceeds actually received by the Company and/or the relevant Restricted Subsidiary in connection with the disposition;

(j) obligations with respect to trade letters of credit, performance and surety bonds and completion guarantees provided by the Company or any of its Restricted Subsidiaries securing obligations, entered into in the ordinary course of business, to the extent the letters of credit, bonds or guarantees are not drawn upon or, if and to the extent drawn upon, is honored in accordance with its terms and, if to be reimbursed, is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness of the Company or any Restricted Subsidiary incurred:

(i) in the ordinary course of business representing Capitalized Lease Obligations; or

(ii) constituting purchase money Indebtedness incurred to finance all or any part of the purchase price, or the cost of development, construction or improvement, of equipment, property or assets of the Company to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such equipment, property or assets which will, upon acquisition, become a Restricted Subsidiary;

provided, that, (A) with respect to clause (k) (ii) only, (x) such purchase money Indebtedness shall not exceed the purchase price or cost of such equipment, property or assets so acquired, and (y) such purchase money Indebtedness shall be Incurred no later than 180 days after the acquisition of such equipment, property or assets or the completion of such development, construction or improvement, and (B) on the date of the Incurrence of any Indebtedness permitted by this clause (k), and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (k) (together with any refinancings thereof) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (n), (p), (u), (v) and (w) below (together, in each case, with any refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets;

(l) Guarantees by any Non-Guarantor Subsidiary of Indebtedness of any other Non—Guarantor Subsidiary; *provided* that, the Indebtedness guaranteed is permitted to be Incurred under the Indenture;

(m) Guarantees by the Company and any Subsidiary Guarantor of Indebtedness of the Company or any Subsidiary Guarantor; *provided* that, the Indebtedness guaranteed is permitted to be Incurred under the Indenture;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less for working capital; *provided* that, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (n) (together with any refinancings thereof) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (k) above and clauses (p), (u), (v) and (w) below (together, in each case, with any refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets;

(o) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with any refinancings thereof) not to exceed US$30.0 million (or the Dollar Equivalent thereof);

(p) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries; *provided* that, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (p) (together with any refinancings thereof) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (k) and (n) above and clauses (u), (v) and (w) below (together, in each case, with any refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets;

(q) [Reserved];

(r) [Reserved];

(s) Acquired Indebtedness of a Person Incurred by the Company or any Restricted Subsidiary on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person becomes a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (ii) otherwise in connection with or in contemplation of such acquisition); *provided* that, after giving pro forma effect to such acquisition, the Company could Incur at least US$1.00 of additional Indebtedness pursuant to the ratio set forth in paragraph (1) of this "—Limitation on Indebtedness" covenant;

(t) Indebtedness incurred by the Company or a Restricted Subsidiary constituting a Subordinated Shareholder Loan;

(u) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Minority Interest Staged Acquisition Agreement; *provided* that, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (u) (together with any refinancings thereof) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (k), (n) and (p) above and clauses (v) and (w) below (together, in each case, with any refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets;

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary; *provided* that, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (v) (together with any refinancings thereof) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (k), (n), (p) and (u) above and clause (w) below (together, in each case, with any refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets;

(w) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided* that, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (w) (together with any refinancings thereof) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (k), (n), (p), (v) and (u) above (together, in each case, with any refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets; and

(x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 18 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement;

(3) For purposes of determining compliance with this "—Limitation on Indebtedness" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Permitted Indebtedness, or of Indebtedness described in the proviso in paragraph (1) of this covenant and one or more types of Permitted Indebtedness, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies; *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable solely in shares of the Company's Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to acquire shares of the Company's Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under "—Limitation on Indebtedness"; or

(c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, excluding those Restricted Payments permitted in the next succeeding paragraph of this "—Limitation on Restricted Payments" covenant (other than clauses (1) and (10)), shall exceed the sum (without duplication) of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the Measurement Date and ending on the last day of the Company's most recently ended fiscal semi-annual period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner and which may be internal financial statements) are available; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Restricted Subsidiary of the Company of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company or any Restricted Subsidiary; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) US$10.0 million (or the Dollar Equivalent thereof using the Measurement Date as the date of determination).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company or another Restricted Subsidiary, as the case may be, to all holders of any class of Capital Stock of such Restricted Subsidiary;

(6) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided* that, any such cash payment shall not be for the purpose of evading the limitation of this "—Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Company);

(7) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary (other than Listed Subsidiaries) held by any current or former officer, director or employee of the Company or any of its Restricted Subsidiaries (other than Listed Subsidiaries) pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US$3.0 million (or the Dollar Equivalent thereof) in any twelve-month period;

(8) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represent a portion of the exercise price of those stock options;

(9) the redemption, repurchase or other acquisition of or the declaration or payment of dividends on the Common Stock of the Company by the Company with respect to any fiscal year up to an aggregate amount not to exceed 15.0% of profit for the year as shown on the consolidated income statement of the Company of the immediately prior fiscal year on a non-cumulative basis;

(10) the purchase of Capital Stock of a Person, and payments made, pursuant to a Minority Interest Staged Acquisition Agreement; and

(11) payments made under a Staged Acquisition Agreement to acquire the Capital Stock of a Person; and

(12) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of any Listed Subsidiary held by any current or former officer, director or employee of such Listed Subsidiary pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed 5% of the consolidated assets of such Listed Subsidiary measured in accordance with GAAP as of the last date of the most recent fiscal semi-annual period for which consolidated financial statements of such Listed Subsidiary (which such Listed Subsidiary shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) in any twelve-month period;

provided that, in the case of clauses (2), (3), (4), (9), (10), (11) and (12) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clauses (1) and (10) of this paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "—Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than those made pursuant to clauses (5) through (12) of the second paragraph of this "—Limitation on Restricted Payments" covenant or any dividend or distribution on or with respect to the Company's Capital Stock payable solely in shares of any Restricted Subsidiary's Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to acquire shares of any Restricted Subsidiary's Capital Stock) held by Persons other than the Company or any Restricted Subsidiary, *provided* that subsequent to such dividend or distribution such Restricted Subsidiary remains a Subsidiary of the Company) must be based upon an opinion or an appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds the greater of (i) US$30.0 million (or the Dollar Equivalent thereof) and (ii) 1.0% of Total Assets.

Not later than the date of making any Restricted Payment (other than those made pursuant to clauses (5) through (12) of the second paragraph of this "—Limitation on Restricted Payments" covenant) in excess of the greater of (i) US$30.0 million (or the Dollar Equivalent thereof) and (ii) 1.0% of Total Assets, the Company will deliver to the Trustee an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "—Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture (if any).

For purposes of determining compliance with this covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this covenant and paragraph (15) of the definition of "Permitted Investment" at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of such paragraphs.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture or any Pari Passu Guarantee, or any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that, the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of Applicable Law, rule, regulation or order;

(c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that, the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "—Limitation on Indebtedness" and "—Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under the "—Limitation on Indebtedness" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such type of agreement and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company or any Subsidiary Guarantor to make required payment on the Notes or its Subsidiary Guarantee, as the case may be, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee;

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(i) customary non-assignment provisions in contracts and licenses including, without limitation, with respect to any intellectual property, entered into in the ordinary course of business;

(j) any agreement for the sale or other disposition of Capital Stock or property or assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(k) Liens permitted to be incurred under the provisions of the covenant described under the caption "—Limitation on Liens" that limit the right of the debtor to dispose of the assets subject to such Liens; or

(l) restrictions on cash or other deposits or net worth imposed by customers or suppliers under contracts entered into in the ordinary course of business.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by Applicable Law to be held by a Person other than the Company or a Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that, the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant to the extent required thereunder; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "—Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided* that, the Company complies with the "—Limitation on Asset Sales" covenant to the extent required thereunder.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor (other than the 2017 Notes), unless:

(1) (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture, providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full; or

(2) such Guarantee:

(a) is permitted by clause (2)(b), (c) or (p) (in the case of clause (2)(p), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or other assets to secure (or the use of Guarantee, Letter of Credit or similar instrument to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness) under the "—Limitation on Indebtedness" covenant;

(b) existed at the time such Person became a Restricted Subsidiary if the Guarantee was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary; or

(c) arising solely due to the granting of a Permitted Lien that would not otherwise constitute a guarantee of the Indebtedness of the Company or any Restricted Subsidiary;

provided that any PRC Restricted Subsidiary may Guarantee any Indebtedness of the Company or any Subsidiary Guarantor if, on the date of the incurrence of such Guarantee, the maximum amount payable at any time under such Guarantee plus the maximum amount payable at any time under any other Guarantee by any PRC Restricted Subsidiary Incurred in reliance on this proviso and then in effect does not exceed an amount equal to 5.0% of Total Assets; *provided* further that Gold Tact (Hong Kong) Limited (HK) and any of its Subsidiaries (if any) may Guarantee any Guaranteed Indebtedness without providing a Subsidiary Guarantee under the Notes.

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of the greater of (i) US$30.0 million (or the Dollar Equivalent thereof) and (ii) 1.0% of Total Assets, in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;

(2) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described above under "—Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Qualified Spin-off Group entered into in connection with the Qualified Spin-off IPO, including, without limitation, transactions entered into for purposes of any reorganization in connection with the Qualified Spin-off IPO and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the Qualified Spin-off IPO; and

(7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Qualified Spin-off Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the Qualified Spin-off IPO, or any amendment, modification, extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the Qualified Spin-off IPO and in compliance with the rules of the relevant Qualified Exchange.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "—Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction (A) between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or (B) between or among the Company or a Restricted Subsidiary on the one hand and any Minority Joint Venture or Unrestricted Subsidiary on the other; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the other shareholders or other partners of or in such Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary) and (c) in the case of a transaction with a Minority Joint Venture or an Unrestricted Subsidiary, none of the shareholders or partners of or in such Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Minority Joint Venture or Unrestricted Subsidiary), (iv) any transaction with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Company or a Restricted Subsidiary solely because the Company or such Restricted Subsidiary, as the case may be, owns, directly or through a Restricted Subsidiary, Capital Stock of, or otherwise controls, such Person or has the right to designate one or more members of the Board of Directors or similar governing body of such Person and (v) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited.

Limitation on Liens

(1) The Company will also not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its other assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are (or, in respect of any Lien on any Subsidiary Guarantor's property or assets, any Subsidiary Guarantee of such Restricted Subsidiary is) secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

(2) In the event that one or more Liens, pledge, collateral or security arrangements (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated by clause (1) above) with regard to *pari passu* Indebtedness proposed to be or previously Incurred by the Company or its Subsidiary Guarantors in compliance with the provisions of the "—Limitation of Indebtedness" covenant and other provisions of the Indenture, the Company may instruct the Trustee to directly, or through affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this clause (2) among holders of such *pari passu* Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements; *provided that* the Trustee shall be entitled to (a) require indemnification provisions from the Company and other provisions in the relevant agreements to the extent it deems appropriate in its discretion under the circumstances and (b) receive an Opinion of Counsel and an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, confirming that such proposed collateral or security arrangements (and related intercreditor arrangements, if any) are being established and maintained in compliance with this clause (2) and the other provisions of the Indenture.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or such Restricted Subsidiary, as the case may be, could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under "—Limitation on Indebtedness" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under "—Limitation on Liens," in which case, the corresponding Indebtedness will be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described below under "— Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of the greater of (i) US$30.0 million (or the Dollar Equivalent thereof) and (ii) 1.0% of Total Assets, the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

(4) Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or any Restricted Subsidiary may apply such Net Cash Proceeds to:

(a) permanently repay unsubordinated Indebtedness of the Company or any Restricted Subsidiary (and, if such unsubordinated Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(b) acquire properties and assets (other than current assets), including any shares of Capital Stock in a Person holding such properties or assets that is primarily engaged in a Permitted Business, that will be used in the Permitted Businesses ("Replacement Assets");

provided that, pending the application of Net Cash Proceeds in accordance with clauses (a) or (b) of this paragraph, such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments.

(5) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clause (4) will constitute "Excess Proceeds." Excess Proceeds of less than the greater of (i) US$30.0 million (or the Dollar Equivalent thereof) and (ii) 1.0% of Total Assets will be carried forward and accumulated. When accumulated Excess Proceeds exceed the greater of (i) US$30.0 million (or the Dollar Equivalent thereof) and (ii) 1.0% of Total Assets, within ten days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(a) accumulated Excess Proceeds, multiplied by

(b) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes to be purchased on a *pro rata* basis based on the principal amount of the Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited under the "—Limitation on Restricted Payments" covenant.

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes issued and sold on the Original Issue Date, in any amount, for any purpose other than (1) as specified under "Use of Proceeds" in this Offering Memorandum (or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in cash or Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) such Restricted Subsidiary does not own any Disqualified Stock of the Company or any Subsidiary Guarantor or Disqualified or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "—Limitation on Indebtedness" or such Lien would violate the covenant described under "—Limitation on Liens"; (3) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; (4) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary as a result of such designation and none of the Company or any Restricted Subsidiary Guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; and (5) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "—Limitation on Restricted Payments" (other than any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Qualified Spin-off Group upon the designation of the Subsidiaries in the Qualified Spin-off Group as Unrestricted Subsidiaries in connection with the Qualified Spin-off IPO not exceeding in aggregate an amount equal to 5.0% of Total Assets, *provided* that (A) the Board of Directors has determined in good faith that the designation of such Subsidiaries as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Qualified Spin-off IPO and (B) at the time of such designation, such Subsidiaries remain Subsidiaries of the Company).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under "—Limitation on Indebtedness"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under "—Limitation on Liens"; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not a PRC Restricted Subsidiary and not an Exempted Subsidiary, such Restricted Subsidiary will upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary will become a Subsidiary Guarantor.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the Indenture or the relevant Subsidiary Guarantee.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the Subsidiary Guarantees on substantially identical terms; *provided* that this requirement does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Maintenance of Insurance

The Company will, and will cause its Restricted Subsidiaries to, maintain insurance with reputable and financially sound carriers against such risks and in such amounts as is customarily carried by similarly situated businesses, including, without limitation, property and casualty insurance.

Suspension of Certain Covenants

If on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "—Certain Covenants—Limitation on Indebtedness";

(2) "—Certain Covenants—Limitation on Restricted Payments";

(3) "—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "—Certain Covenants—Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "—Certain Covenants—Limitation on Transactions with Shareholders and Affiliates";

(7) "—Certain Covenants—Limitation on Business Activities";

(8) "—Certain Covenants—Limitation on Sale and Leaseback Transactions";

(9) "—Certain Covenants—Limitation on Asset Sales";

(10) Clause 2(a) under the covenant described under " —Provision of Financial Statements and Reports"; and

(11) Clauses (3), (4) and (5)(x) under the first and second paragraphs of the covenant described under "—Consolidation, Merger and Sale of Assets."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "—Certain Covenants—Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's Common Stock is at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally recognized firm of independent accountants; and

(b) as soon as they are available, but in any event within 90 calendar days after the end of the second financial quarter of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP, accompanied by an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, stating that such financial statements are prepared in accordance with GAAP.

(2) In addition, so long as any Note remains outstanding, the Company will provide to the Trustee

(a) within 120 days after the close of each fiscal year, an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, stating the Fixed Charge Coverage Ratio with respect to the most recent fiscal year and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenant described under "—Consolidation, Merger and Sale of Assets" or the failure by the Company to make or consummate an Offer to Purchase in the manner described under "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Certain Covenants—Limitation on Asset Sales";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$30.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to pay principal of such Indebtedness when the same becomes due after giving effect to any grace period for such payment;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$30.0 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for any substantial part of the property and assets of the Company or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Subsidiary, (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company); or

(9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or will for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may, and the Trustee at the written direction of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Trustee shall, at the written direction of Holders of at least 25% in aggregate principal amount of outstanding Notes, request in writing that the Company furnish a statement concerning the occurrence or absence of an Event of Default. The Company shall furnish such statement to the Trustee within 30 days after the receipt of such written request from the Trustee.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, but will not be obligated to, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured to its satisfaction by such Holders in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of the offer of indemnity and/or security pursuant to clause (3) above, whichever occurs later; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries' performance under the Indenture and that the Company and each Restricted Subsidiary have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture and the occurrence of any Event of Default. See "—Provision of Financial Statements and Reports."

The Trustee and the Agents need not do anything to ascertain whether any Event of Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on any Opinion of Counsel or Officers' Certificate regarding whether an Event of Default has occurred.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and the Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of Bermuda, the Cayman Islands, the British Virgin Islands or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(5) the Company shall deliver to the Trustee (x) an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under "—Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture, confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Subsidiary Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless each of the following conditions is met:

(1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction in accordance with the Indenture;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(5) the Company shall deliver to the Trustee (x) an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "—Limitation on Asset Sales" covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "—The Subsidiary Guarantees—Release of the Subsidiary Guarantees."

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, or a sale, transfer, conveyance or lease of any properties and assets by any Subsidiary Guarantor to the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation, merger, sale, transfer, conveyance or lease.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited into an account opened by the Trustee (or its agent) on behalf of and in the name of the Company cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) has delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of and the deposit of assets into the defeasance account does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the fund or assets will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of the Restricted Subsidiaries is a party or by which the Company or any of the Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture will further provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3) and (4) under the first and second paragraphs under "—Consolidation, Merger and Sale of Assets" and all the covenants described herein under "—Certain Covenants," other than as described under "—Certain Covenants—Government Approvals and Licenses; Compliance with Law" and "-Certain Covenants—Anti-Layering," and (ii) clause (3) under "Events of Default" with respect to such clauses (3), (4), 5(x) and (6) under the first and second paragraphs under "—Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in clause (i) above, clause (4) under "-Events of Default" with respect to such other covenants in clause (i) above and clauses (5), (6), (7) and (8) under "—Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit into an account opened by the Trustee (or its agents) on behalf of and in the name of the Company cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government Obligations, or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the applicable Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound;

(3) the Company or any Subsidiary Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate of the Company to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes and the Subsidiary Guarantees may be amended, without the consent of any Holder:

(1) to cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes or the Subsidiary Guarantees;

(2) to comply with the provisions described under "—Consolidation, Merger and Sale of Assets";

(3) to evidence and provide for the acceptance of appointment by a successor Trustee;

(4) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(5) to effect any change to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or other relevant clearing system;

(6) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(7) to add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

(8) to add any collateral to secure the Notes or the Subsidiary Guarantee or to enter into any intercreditor agreement or amendments or supplements thereto;

(9) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees; or

(10) to make any other change that does not materially and adversely affect the rights of any Holder.

Amendments With Consent of Holders

Amendments of the Indenture, the Notes or the Subsidiary Guarantees may be made by the Company, the applicable Subsidiary Guarantors and the Trustee, in each case, with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company and any Subsidiary Guarantor with any provision of the Indenture, the Notes or the Subsidiary Guarantees; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;

(9) amend, change or modify any Subsidiary Guarantee or the Indenture in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

(10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under "—Limitation on Asset Sales";

(11) change the redemption date or the redemption price of the Notes from that stated under "—Optional Redemption" or "—Redemption for Taxation Reasons";

(12) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any Subsidiary Guarantor in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Subsidiary Guarantor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Agents

Citicorp International Limited has been appointed as Trustee under the Indenture, and Citibank, N.A., London Branch has been appointed as registrar (the "Registrar"), paying agent (the "Paying Agent") and transfer agent (the "Transfer Agent", together with the Registrar and the Paying Agent, the "Agents") with regard to the Notes under the Indenture. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, a paying agent in Singapore will be appointed and maintained where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for individual definitive Notes. In addition, in the event that the Global Note is exchanged for individual definitive Notes, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the individual definitive Notes, including details of the paying agent in Singapore. Except during the continuance of a Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture or the Notes, as the case may be, against the Trustee or the Agents, and no implied covenants or obligations will be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Trustee shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification or legal opinion submitted to it by the Company and is entitled to rely exclusively on, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Company in the fulfillment of the Company's obligations under the Indenture.

The Trustee shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee in accordance with the instructions of the Holders.

The Trustee is entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

Neither the Trustee nor the Agents will be responsible for making calculations or for verifying calculations performed by the Company or any other persons unless otherwise specified in the Indenture. Specifically, neither the Trustee nor the Agents will be responsible for the calculation or verification of the Applicable Premium.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or prefunding reasonably satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Indenture and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "—Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the principal paying agent. The principal paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and subject to the requirement to pay Additional Amounts, as described under "—Additional Amounts."

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-Entry Interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "—Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by first-class mail (registered or certified, with return receipt requested) (if intended for the Company, any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each Subsidiary Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. located at 122 East 42nd Street, 18th Floor, New York NY 10168 for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"2017 Notes" means the US$300,000,000 principal amount of the 5.25% Senior Notes due 2022 issued by the Company on February 7, 2017.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after May 18, 2024, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Agency Lender" means any of (i) Asian Development Bank; (ii) DEG—Deutsche Investitions—und Entwicklungsgesellschaft mbH; (iii) Société de Promotion et de Participation pour la Coopération Economique S.A.; and (iv) any other public finance organization for economic development.

"Agency Lender Indebtedness" means the Existing Agency Lender Indebtedness and any Future Agency Lender Indebtedness.

"Applicable Law" means any law or regulation including, but not limited to, (i) any statute or regulation, (ii) any rule or practice of any Authority by which any party is bound or with which it is accustomed to comply, (iii) any agreement between any Authorities, and (iv) any customary agreement between any Authority and any party.

"Applicable Premium" means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the redemption price of such Note at May 18, 2024 (such redemption price being described in the first paragraph in the "—Optional Redemption" section exclusive of any accrued interest), plus all required remaining scheduled interest payments due on such Note (but excluding accrued and unpaid interest to the redemption date) through May 18, 2024, computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"Asset Acquisition" means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided* that, "Asset Sale" shall not include:

(1) sales, transfers or other dispositions of inventory, receivables and other current assets in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made by the covenant described under "—Certain Covenants—Limitation on Restricted Payments";

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$5.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant described under "—Consolidation, Merger and Sale of Assets";

(7) any sale or other disposition of cash or Temporary Cash Investments; and

(8) a sale, transfer or other disposition to the Company or a Restricted Subsidiary, including, without limitation, an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"Authority" means any competent regulatory, prosecuting, Tax or governmental authority in any jurisdiction.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange currencies.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized or required by law or governmental regulation to close.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the direct or indirect sale of all or substantially all the consolidated assets of the Company to another Person (other than one or more Permitted Holders);

(2) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined above), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(3) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election or nomination to the Board of Directors was approved by a vote of at least a majority of the directors then still in office who were either directors on the Original Issue Date or whose election or nomination was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or

(4) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control Triggering Event" means the occurrence of a Change of Control and, *provided* that the Notes are rated, a Rating Decline.

"Clearstream" means Clearstream Banking, S.A.

"Commodity Hedging Agreement" means any commodities swap agreement, commodities cap agreement, commodities floor agreement, commodities futures agreement, commodities option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to May 18, 2024 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to May 18, 2024.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is received by the Trustee, Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

"Consolidated EBITDA" means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP, and for the avoidance of doubt, revenue accrued in one fiscal period for which the corresponding cash is received in another fiscal period shall not be deducted as a result of this clause (3)); all as determined on a consolidated basis for such Person and its Subsidiaries (excluding Unrestricted Subsidiaries) in conformity with GAAP.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiaries held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly-Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, minus interest income for such period, and plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, the Company or any of its Restricted Subsidiaries (other than Liens on any Capital Stock of a Person that is not a Restricted Subsidiary), *provided* that, in the case of Indebtedness so

Guaranteed, interest accruing shall be included only to the extent such interest is actually paid by the Company or any Restricted Subsidiary, (7) any capitalized interest and (8) all other non-cash interest expense; *provided* that, interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any Person (the "Subject Person") for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

   (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

   (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of the Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of the Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or asset of the Company or any Restricted Subsidiary that is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or of any Restricted Subsidiary);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains,

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Properties or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Properties or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly, semiannual or annual consolidated balance sheet of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of the Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise); *provided* that such Credit Facilities shall not include any bonds, debentures, notes or other similar debt instruments. Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under "—Certain Covenants—Limitation on Indebtedness") or (4) otherwise altering the terms and conditions thereof.

"Currency Hedging Agreement" means any currency swap agreement, currency cap agreement, currency floor agreement, currency futures agreement, commodity option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Development Project Company" means (i) any Restricted Subsidiary who owns any project, no less than 25.0% of the assets of which project is funded, directly or indirectly, by Agency Lender Indebtedness, measured on the date of the incurrence of the relevant Permitted Lien, and that qualifies under the relevant Agency Lender's eligibility criteria, and (ii) any Restricted Subsidiary, the Subsidiaries of which consist exclusively of Development Project Companies.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "—Limitation on Asset Sales" "—Repurchase of Notes upon a Change of Control Triggering Event" covenant, as the case may be, and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the covenant described under "—Certain Covenants—Limitation on Asset Sales" or "—Repurchase of Notes upon a Change of Control Triggering Event," as the case may be.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the noon buying rate for U.S. dollars in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings; *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

"Equity Offering" means (i) any bona fide public or private offering of Capital Stock (other than Disqualified Stock) of the Company other than to Affiliates of the Company after the Original Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Capital Stock (other than Disqualified Stock) of the Company beneficially owned by the Permitted Holders, after the Original Issue Date, to the extent that the Permitted Holders or a company controlled by such Person concurrently with such public offering or private placement purchases in cash an equal amount of Capital Stock (other than Disqualified Stock) from the Company at the same price as the public offering or private placing price or the net proceeds of such public offering or private placement are otherwise contributed to the equity capital of the Company; *provided* that the aggregate gross cash proceeds received by the Company as a result of such offering described in clause (i) or (ii) or a combination thereof (excluding gross cash proceeds received from the Company or any of its Subsidiaries) shall be no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank S.A./N.V.

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by Applicable Law or regulation to provide a Subsidiary Guarantee; provided that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, to the extent that such approval or registration is available under any Applicable Law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Existing Agency Lender Indebtedness" means (i) the Existing Agency Lender Secured Indebtedness; and (ii) the Facility Agreement dated March 2, 2018 between the Asian Development Bank, the Company and Shenzhen Gold Tac Environment Holding Co., Ltd., as amended on March 28, 2019 and further amended and restated on March 13, 2020, and as may be further amended and/or restated from time to time; and (iii) the Facility Agreement dated May 27, 2014 between the Asian Development Bank, the Company and Shanghai Silver Dragon Investment Limited, as amended and restated on January 18, 2016 and as subsequently amended on November 23, 2017 and on March 28, 2019, and as may be further amended and/or restated from time to time.

"Existing Agency Lender Secured Indebtedness" means the Loan Agreement dated November 6, 2018 between DEG—Deutsche Investitions—und Entwicklungsgesellschaft mbH and the Company, as amended on September 9, 2019, and as may be further amended and/or restated from time to time.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"Fitch" means Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two fiscal semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Two Semi-annual Period") to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Period. In making the foregoing calculation:

(a) *pro forma* effect shall be given to any Indebtedness Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Two Semi-annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-annual Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Hedging Agreement applicable to such Indebtedness if such Interest Rate Hedging Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"Future Agency Lender Indebtedness" means any Indebtedness from any Agency Lender, including from any syndication of financial institutions arranged or led by any Agency Lender.

"GAAP" means Hong Kong Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Disqualified Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Disqualified Stock; *provided* that (1) any Indebtedness and Disqualified Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and

(10) any Preferred Stock issued by (a) such Person, if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of personal property (including land use rights) to be used in a Permitted Business or Entrusted Loans; *provided* that such Indebtedness is not reflected on the consolidated balance sheet of the Company and the Restricted Subsidiaries (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet as borrowings or indebtedness will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to paragraph 2(e) under the "—Limitation on Indebtedness" covenant or (ii) equal to the net amount payable by such Person if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

"Interest Rate Hedging Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate future contract, interest rate option agreement or any other similar agreement or arrangement which may consist of one or more of any of the foregoing agreements.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the covenants described under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" and "—Certain Covenants—Limitation on Restricted Payments": (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportionate interest in the assets (net of the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation; (2) if the Company or any Subsidiary of the Company sells or otherwise disposes of any Investment of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Subsidiary that were not sold or disposed of; (3) the acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person; and (4) any property transferred to or from any Person will be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of "Aaa," "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns, or a rating of "AAA," "AA," "A," "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Investment Property" means any property that is owned and held by the Company or any Restricted Subsidiary for long-term rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiary" means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; *provided that* such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

"Measurement Date" means February 7, 2017.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Company and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Minority Joint Venture" means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture's Subsidiaries.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP and reflected in an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, delivered to the Trustee; and

(2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and upon receipt of written order of the Company signed by an Officer the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by Applicable Law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Restricted Subsidiary, one of the directors or officers of such Restricted Subsidiary.

"Officers' Certificate" means a certificate signed by two Officers; *provided, however*, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from external legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Pari Passu Guarantee" means a Guarantee by the Company or any Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor, as the case may be; *provided* that (1) the Company and such Subsidiary Guarantor were otherwise permitted to Incur such Indebtedness by the "-Limitation on Indebtedness" covenant and (2) such Guarantee ranks *pari passu* with the Notes or any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, as the case may be.

"Permitted Businesses" means any business, including, without limitation, city water supply operation and construction, sewage treatment and drainage operation and construction services and other energy or environment-related businesses, which is the same as or ancillary or complementary to those conducted by the Company and the Restricted Subsidiaries on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) Mr. Duan Chuan Liang;

(2) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) of the Person specified in clause (1);

(3) the estate, trust and any immediate family member of the Person listed in clause (1) or the legal representative of any of the foregoing; and

(4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) cash or Temporary Cash Investments;

(3) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed (i) solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates or (ii) to reduce or manage interest expenses;

(7) receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments consisting of consideration received in connection with an Asset Sale under clause 4(b) of, and made in compliance with, the covenant described under "—Certain Covenants—Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens";

(10) loans or advances to vendors, contractors, suppliers or distributors, including advance payments for equipment and machinery made to the manufacturer thereof, of the Company or any Restricted Subsidiary in the ordinary course of business and dischargeable in accordance with customary trade terms;

(11) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(12) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(13) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of assets in the Permitted Business by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;

(14) repurchase of the Notes in accordance with the terms of the Indenture;

(15) any Investment by the Company or any Restricted Subsidiary in any Person (other than a Subsidiary of the Company) engaged in Permitted Businesses; *provided* that:

(i) the aggregate of all Investments made under this clause (15) since the Measurement Date shall not exceed in aggregate an amount equal to 10.0% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (15) since the Measurement Date resulting from any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment"), which shall not exceed the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person pursuant to this clause (15); and

(ii) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the amount of each Investment made pursuant to this clause (15) (if other than cash) shall be the Fair Market Value of such Investment at the time such Investment is made;

(16) Investments in existence on the Original Issue Date;

(17) any Investment deemed to have been made by the Company or any Restricted Subsidiary in any entity of a Qualified Spin-off Group upon the designation of such entity as an Unrestricted Subsidiary not exceeding in aggregate an amount equal to 5.0% of Total Assets; or

(18) any Investment that has been agreed to or is otherwise obligated to be made pursuant to an agreement or similar instrument in existence on the Original Issue Date.

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;

(5) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person (i) becomes a Restricted Subsidiary or (ii) is merged with or into or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets of such Person (if such Person becomes a Restricted Subsidiary) or the property or assets acquired by the Company or such Restricted Subsidiary (if such Person is merged with or into or consolidated with the Company or such Restricted Subsidiary); *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(6) Liens in favor of the Company or any Restricted Subsidiary;

(7) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that do not give rise to an Event of Default;

(8) Liens securing reimbursement obligations with respect to letters of credit, performance and surety bonds and completion guarantees that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(9) Liens existing on the Original Issue Date;

(10) Liens securing Indebtedness which is Incurred to refinance Secured Indebtedness which is permitted to be Incurred under clause (2)(d) of the covenant described under "—Certain Covenants—Limitation on Indebtedness," *provided* that such new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements to such property and assets);

(11) Liens securing Hedging Obligations permitted to be Incurred under clause (2)(e) of the covenant described under "—Certain Covenants—Limitation on Indebtedness," *provided* that (i) Indebtedness relating to any such Hedging Obligation is, and is permitted under the covenant described under "—Certain Covenants—Limitation on Liens" to be, secured by a Lien on the same property securing such Hedging Obligation or (ii) such Liens are encumbering customary initial deposits or margin deposits or are otherwise within the general parameters customary in the industry and incurred in the ordinary course of business or (iii) such Liens secure obligations set forth under Interest Rate Hedging Agreements designed to reduce or manage interest expenses;

(12) Liens securing Attributable Indebtedness that is permitted to be Incurred under the Indenture;

(13) any interest or title of a lessor under any Capitalized Lease Obligation permitted to be Incurred under the Indenture; *provided, however*, that the Liens do not extend to any property or assets which is not leased property subject to such Capitalized Lease Obligation;

(14) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(17) Liens on deposits securing trade letters of credit (and reimbursement obligations relating thereto) incurred in the ordinary course of business;

(18) Liens securing Indebtedness of the type described under clause (2)(k) of the covenant described under "—Certain Covenants—Limitation on Indebtedness"; *provided* that (a) with respect to such Indebtedness described under clause (2)(k)(i), such Lien covers only the assets acquired with such Indebtedness, and (b) with respect to such Indebtedness described under clause (2)(k)(ii), such Lien (i) covers only the assets acquired with such Indebtedness and (ii) is created within 180 days of such acquisition; *provided* that, with respect to all Indebtedness described under clause (2)(k), such Lien may cover other assets (instead of or in addition to such item of assets) if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such assets have been acquired since the date of such financial statements, the cost of such assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount or aggregate committed amount of Indebtedness secured by such Liens;

(19) Liens securing Indebtedness of the type described under clause (2)(n) of the covenant described under "—Certain Covenants—Limitation on Indebtedness"; *provided* that (a) such Lien is created prior to, at the time of or within 30 days after entering into the agreement underlying such Indebtedness and (b) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (19) does not exceed 130% of the aggregate principal amount or aggregate committed amount of Indebtedness secured by such Liens;

(20) Liens Incurred on deposits made to secure Bank Deposit Secured Indebtedness Incurred pursuant to clause 2(p) of the covenant described under "—Certain Covenants—Limitation on Indebtedness;"

(21) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens incurred or deposits made to secure Entrusted Loans;

(23) Liens on the Capital Stock of any Restricted Subsidiary in connection with the Existing Agency Lender Secured Indebtedness to the extent such Liens are required to be provided pursuant to the agreement governing the relevant Existing Agency Lender Secured Indebtedness in effect as of the Original Issue Date;

(24) Liens on the Capital Stock and other assets of any Development Project Company in connection with any Agency Lender Indebtedness relating to such Development Project Company funded by such Agency Lender Indebtedness; *provided* that such Agency Lender Indebtedness is Incurred pursuant to clause (1) of the covenant described under "—Certain Covenants—Limitation on Indebtedness;" *provided further* that the aggregate principal amount outstanding of any Agency Lender Indebtedness (together with any refinancing thereof) that is secured by a Permitted Lien created in reliance on this clause (24) does not exceed an amount equal to 25.0% of Total Assets;

(25) Liens securing Indebtedness incurred pursuant to clause (2)(o) of the covenant described under "—Certain Covenants—Limitation on Indebtedness;"

(26) [Reserved];

(27) Liens securing Indebtedness incurred pursuant to clause (2)(s) of the covenant described under "—Certain Covenants—Limitation on Indebtedness;"

(28) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of assets in the Permitted Business by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;

(29) Liens incurred in the ordinary course of business of the Company or any Restricted Subsidiary with respect to obligations the aggregate amount of which do not exceed US$20.0 million (or the Dollar Equivalent thereof) at any one time outstanding;

(30) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(u) of the covenant described under "—Certain Covenants—Limitation on Indebtedness;"

(31) Liens securing Indebtedness permitted under clauses (2)(v) and (2)(w) of the covenant described under "—Certain Covenants—Limitation on Indebtedness;" or

(32) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be incurred under the proviso in paragraph (1) of the covenant described under "—Certain Covenants—Limitation on Indebtedness."

"Permitted Subsidiary Indebtedness" means Indebtedness of any Non-Guarantor Subsidiary; *provided* that, on the date of Incurrence of such Indebtedness, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and all Preferred Stock issued by the Restricted Subsidiaries (excluding any Indebtedness of any Restricted Subsidiary permitted under clause (2)(c), (e) or (l) of the covenant described under "—Certain Covenants—Limitation on Indebtedness") does not exceed an amount equal to 20.0% of Total Assets.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding the Hong Kong Special Administrative Region, Macau and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Foreign Investment Law of the People's Republic of China adopted on January 1, 2020 and the Detailed Rules for the Regulation of Implementing the Foreign Investment Law of the People's Republic of China adopted on January 1, 2020, as such laws and rules may be amended.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Qualified Exchange" means either (1) The New York Stock Exchange, the Nasdaq Stock market, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

"Qualified IPO" means a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) of the Voting Stock of a company on a Qualified Exchange; *provided that* in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

"Qualified Spin-off Group" means, collectively, (i) any entity the Voting Stock of which is, or is expected to be pursuant to a definitive plan, listed on a Qualified Exchange in a Qualified Spin-off IPO, and (ii) the Subsidiaries of such entity.

"Qualified Spin-off IPO" means any Qualified IPO of an entity; provided that the Board of Directors of the Company has determined in good faith that the designation of such entity and its Subsidiaries as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for such Qualified IPO.

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch; provided that if S&P, Moody's, Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, one or more internationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's, Fitch, two of any of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's and "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "—Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence, of a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below or (2) in connection with actions contemplated under the caption "—Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are (i) rated by less than three Rating Agencies or (ii) rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Secured Indebtedness" means any Indebtedness of the Company or a Restricted Subsidiary secured by a Lien.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"SGX-ST" means the Singapore Exchange Securities Trading Limited.

"Significant Subsidiary" means any Restricted Subsidiary or any group of Restricted Subsidiaries that, taken together, would be a "significant subsidiary" using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5 percent.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time, *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transaction under such Staged Acquisition Agreement.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company or any Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes or to any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means any unsecured Indebtedness Incurred by the Company or any Restricted Subsidiary from any Permitted Holder as to which (a) the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such Indebtedness is, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued or remains outstanding and an agreement (the "Subordination Agreement") to be entered into among the holders of such Indebtedness (or trustees or agents therefor) and the Trustee, is expressly made subordinate to the prior payment in full of the Notes to at least the following extent: (i) no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be permitted for so long as any Default exists; (ii) such Indebtedness may not (x) provide for payments of principal of such Indebtedness at the Stated Maturity thereof or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by the Company or such Subsidiary Guarantor (including any redemption, retirement or repurchase which is contingent upon events or circumstances), in each case prior to the date that is 180 days after the final Stated Maturity of the Notes or (y) permit redemption or other retirement (including pursuant to an offer to purchase made by the Company or any Restricted Subsidiary) of such other Indebtedness at the option of the holder thereof prior to the date that is 180 days after the final Stated Maturity of the Notes; (iii) the Subordination Agreement will prevent the holders of such Indebtedness (or trustees or agents therefor) from pursuing remedies against the Company or any of the Restricted

Subsidiaries or their respective assets or properties in an insolvency proceeding or in respect of a default under such Indebtedness; and (iv) the Subordination Agreement will provide in the event that any payment is received by the holders of such Indebtedness (or any trustee or agent therefor) in respect of such Indebtedness where such payment is prohibited by one or more of the subordination provisions described in this definition, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Trustee on behalf of the Holders of the Notes, and (b) the terms thereof provide that interest (and premium, if any) thereon is paid solely in the form of pay-in-kind.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (i) or (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of "Designation of Restricted and Unrestricted Subsidiaries" covenant.

"Tax" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Authority having power to tax.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, Hong Kong, the PRC or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, Hong Kong, the PRC or any agency of any of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof, Hong Kong or the PRC and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P or Fitch;

(5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) demand or time deposit accounts, certificates of deposit overnight or call deposits and money market deposits with any bank or other financial institution organized under the laws of any jurisdiction where the Company or any Restricted Subsidiary conducts business operations; and

(8) structured deposit products with a term not exceeding one year that are principal protected with any banks or financial institutions organized under the laws of any jurisdiction where the Company or any Restricted Subsidiary conducts business operations.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last date of the most recent fiscal semi-annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clause (2)(k)(ii) of the "Certain Covenants—Limitation on Indebtedness" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all the equipment, property or assets the purchase of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Restricted Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by Applicable Law) by the Company or one or more Wholly Owned Subsidiaries of the Company; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Restricted Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this offering memorandum are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

Bermuda

Tax

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by us or by our shareholders in respect of our shares. The Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31,2035, be applicable to the Company or to any of the Company's operations or to the Company's shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by us in respect of real property owned or leased by the Company in Bermuda.

Stamp duty

As an exempted company, the Company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies.

None of the Company, its shareholders or the holders of the Notes, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty on the issue or transfer of the Notes.

BVI

There is no income or other tax of the BVI imposed by withholding or otherwise on any payment to be made to or by the Company or Subsidiary Guarantor(s) incorporated in BVI pursuant to the Subsidiary Guarantees.

Cayman Islands

There is no income or other tax of the Cayman Islands imposed by withholding or otherwise on any payment to be made or by the Company or Subsidiary Guarantor(s) incorporated in the Cayman Islands pursuant to the Subsidiary Guarantees.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest in respect of the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, professional or business carried on in Hong Kong in the following circumstances:

(a) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person (other than a company) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Notes may be subject to Hong Kong profits tax where received by or accrued to a person who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

Estate duty

No Hong Kong estate duty is payable in respect of the Notes.

PRC

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within China are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there is no clear standard published by the tax authorities to determine whether the Company is a PRC resident enterprise for tax purposes. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Company is within the territory of PRC, the Company may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside PRC. As of the date of this offering memorandum, the Company has not been informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, non-resident holders of the Notes will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Company will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment or place of business within the PRC or whose income has no actual connection to its establishment or place of business within the PRC shall pay enterprise income tax at the rate of 10% on income sourced from the PRC, including any interest income or gains realized on the transfer of securities, and such income tax must be withheld at source by the payer acting as the withholding agent. Furthermore, such PRC sourced interest and gains realized by non-resident individuals may be subject to tax (which would be required to be withheld by payer) at a rate of 20%.

Accordingly, in the event the Company is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Company may be required to withhold income tax from the payments of interest in respect of the Notes for any non-PRC holder if the interest payable on the Notes is considered to be sourced within China. The Company has agreed, subject to certain exceptions, to pay additional amounts to non-PRC holders of the Notes so that such holders receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

According to the double taxation arrangement between mainland China and Hong Kong, residents of Hong Kong generally will not be subject to PRC tax on any capital gains from a sale or exchange of the Notes. For other investors of the Notes, according to the EIT Law and related implementation regulations, it is unclear whether the capital gains of non-resident enterprises derived from a sale or exchange of the Notes will be subject to PRC income tax if the Company is deemed to be a PRC resident enterprise. If such capital gains are deemed to be income sourced in China, non-resident enterprise holders (other than qualified Hong Kong residents), will be subject to enterprise income tax at a rate of 10% of the gross proceeds (unless other preferential tax treatments are provided by any special tax arrangements). Any gains realized by non-resident individual holders (other than qualified Hong Kong residents) may be subject to tax at a rate of 20% (or lower treaty rate) if the Company is considered a PRC resident enterprise by the relevant tax authorities. It is unclear whether, if we are considered a PRC resident enterprise, holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

PLAN OF DISTRIBUTION

Morgan Stanley & Co. International plc, Barclays Bank PLC, BOCOM International Securities Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, China CITIC Bank International Limited, Standard Chartered Bank, Huatai Financial Holdings (Hong Kong) Limited, Nomura International (Hong Kong) Limited, Mizuho Securities Asia Limited, UBS AG Hong Kong Branch, Australia and New Zealand Banking Group Limited, The Hongkong and Shanghai Banking Corporation Limited, are acting as the joint global coordinators, together with The Bank of East Asia, Limited and CTBC Bank Co., Ltd. are acting as the joint lead managers and joint bookrunners of the offering and as the Initial Purchasers. Subject to the terms and conditions set forth in a purchase agreement among us and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and each Initial Purchaser named below has severally but not jointly agreed to purchase from us, the principal amount of New Notes set forth opposite such Initial Purchaser's name.

Initial Purchaser	**Principal Amount of New Notes**
Morgan Stanley & Co. International plc	US$12,200,000
Barclays Bank PLC	US$10,600,000
BOCOM International Securities Limited	US$10,600,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	US$10,600,000
China CITIC Bank International Limited	US$10,600,000
Standard Chartered Bank	US$10,600,000
Huatai Financial Holdings (Hong Kong) Limited	US$10,600,000
Nomura International (Hong Kong) Limited	US$10,600,000
Mizuho Securities Asia Limited	US$10,600,000
UBS AG Hong Kong Branch	US$10,600,000
Australia and New Zealand Banking Group Limited	US$10,600,000
The Hongkong and Shanghai Banking Corporation Limited	US$10,600,000
The Bank of East Asia, Limited	US$10,600,000
CTBC Bank Co., Ltd.	US$10,600,000
Total	**US$150,000,000**

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the New Notes are subject to approval of legal matters by counsel and to other conditions. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the New Notes. In addition, each of the Company and the Subsidiary Guarantors have agreed to, jointly and severally, reimburse the Initial Purchasers for certain expenses incurred in connection with the offering of the New Notes. In addition, we have agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

The Initial Purchasers propose initially to offer the New Notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other terms of the offering may be changed. The Initial Purchasers may offer and sell New Notes through certain of their affiliates.

New Notes Are Not Being Registered

The New Notes have not been registered under the Securities Act or any state securities laws of the United States. The Initial Purchasers propose to offer the New Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Regulation S. See "Transfer Restrictions." The Initial Purchasers will not offer or sell the New Notes except to persons outside of the United States in offshore transactions that occur outside of the United States within the meaning of Regulation S. Each purchaser of the New Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of New Notes

The New Notes are a new issue of securities with no established trading market. The Original Notes are listed and quoted on the SGX-ST. Approval in-principle has been received from for the listing and quotation of the New Notes on the SGX-ST. However, we cannot assure you that we will ultimately obtain such listing or that we will be able to maintain such listing. We have been advised by the Initial Purchasers that they presently intend to make a market in the New Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the New Notes. If an active trading market for the New Notes does not develop, the market price and liquidity of the New Notes may be adversely affected. If the New Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the New Notes will be made to investors on or about January 26, 2022, which will be fifth business day following the date of this offering memorandum (such settlement being referred to as "T+5"). As trades in certain secondary markets generally settle in two business days, purchasers who wish to trade New Notes prior to the delivery of the New Notes hereunder will be required, by virtue of the fact that the New Notes will initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the New Notes who wish to trade the New Notes prior to their date of delivery hereunder should consult their advisors.

Investors who purchase New Notes from the Initial Purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this offering memorandum.

No Sales of Similar Securities

We and the Subsidiary Guarantors have agreed that we will not, for a period of 60 days after the date of this offering memorandum, without first obtaining the prior written consent of the Initial Purchasers, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities, except for the New Notes sold to the Initial Purchasers pursuant to the purchase agreement.

Stabilization and Short Positions

In connection with the offering of the New Notes, the Initial Purchasers or any of their respective affiliates, may engage in over-allotment, stabilizing transactions and syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of New Notes than they are required to purchase in the offering. The Initial Purchasers may close out any short position by purchasing New Notes in the open market to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the New Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the New Notes or preventing or retarding a decline in the market price of the New Notes. As a result, the price of the New Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the New Notes. In addition, neither we nor the Initial Purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The Initial Purchasers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the New Notes. Our obligations under these transactions may be secured by cash or other collateral.

The Initial Purchasers or certain of their affiliates may place lead order and/or purchase the New Notes and be allocated New Notes for asset management and/or proprietary purposes and not with a view to distribution (and such lead order, purchase and allocation may be material). Each of the Initial Purchasers or its affiliates may purchase the New Notes for its or their own accounts and may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the New Notes. Accordingly, references herein to the New Notes being offered should be read as including any offering of the New Notes to the Initial Purchasers or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the New Notes offered hereby. Any such short positions could adversely affect future trading prices of the New Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

General

No action has been taken or will be taken in any country or jurisdiction that would permit a public offering of the New Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the New Notes, in any jurisdiction where action for any such purpose may be required. Accordingly, the New Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Company in such jurisdiction.

United States

The New Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Notes and the Subsidiary Guarantees are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Furthermore, until 40 days after the commencement of the offering of the New Notes and the Subsidiary Guarantees, an offer or sale of the New Notes or the Subsidiary Guarantees within the United States by a dealer whether or not participating in this offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to an exemption from the registration requirements of the Securities Act.

We and the Initial Purchasers reserve the right to reject any offer to purchase the New Notes, in whole or in part, for any reason. Distribution of this offering memorandum within the United States is unauthorized and any disclosure without our prior written consent of any of its contents within the United States is prohibited.

European Economic Area

Each of the Initial Purchasers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the New Notes to be offered so as to enable an investor to decide to purchase or subscribe the New Notes.

Furthermore, the New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA. Consequently, no key information document as would be required by Regulation (EU) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

United Kingdom

Each of the Initial Purchasers has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the New Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company or any Subsidiary Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Notes in, from or otherwise involving the United Kingdom.

In addition, each of the Initial Purchasers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Notes to any retail investor in the UK. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom by virtue of the EUWA; or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the New Notes to be offered so as to enable an investor to decide to purchase or subscribe for the New Notes.

Furthermore, the New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (as amended, the "UK PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Hong Kong

The New Notes have not been offered or sold and will not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) ("CO"), (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") and any rules made thereunder, or (iii) in other circumstances which do not result in this offering memorandum being a "prospectus" within the meaning of the CO and no advertisement, invitation or document relating to the New Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the New Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Japan

The New Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "FIEL"), and disclosure under the FIEL has not been made with respect to the New Notes. Accordingly, the New Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes may not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

PRC

The New Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the New Notes and the New Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the New Notes.

The New Notes and the Subsidiary Guarantees are subject to restrictions on transfer as summarized below. By purchasing the New Notes and the Subsidiary Guarantees, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:

   - the New Notes and the Subsidiary Guarantees have not been registered under the Securities Act or any other applicable securities laws;

   - the New Notes and the Subsidiary Guarantees are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;

   - the New Notes and the Subsidiary Guarantees are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and

   - unless so registered, the New Notes and the Subsidiary Guarantees may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the New Notes and the Subsidiary Guarantees in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the New Notes and the Subsidiary Guarantees, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the New Notes and the Subsidiary Guarantees. You agree that you have had access to such financial and other information concerning us and the New Notes and the Subsidiary Guarantees as you have deemed necessary in connection with your decision to purchase the New Notes and the Subsidiary Guarantees including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the New Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the New Notes in violation of the Securities Act.

5. You acknowledge that each Note will contain a legend substantially to the following effect:

THIS NEW NOTE AND THE SUBSIDIARY GUARANTEES RELATED TO THIS NEW NOTE (COLLECTIVELY, THE "SECURITY") HAVE NOT BEEN REGISTERED UNDER THE U. S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE RE-OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers, the Trustee, the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the New Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any New Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

7. You also acknowledge that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes may not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

RATINGS

The Original Notes are rated "Ba1" by Moody's and "BB+" by S&P and we do not expect the ratings will change as a result of the issuance of the New Notes. The New Notes are expected to be rated "Ba1" by Moody's and "BB+" by S&P. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the New Notes. The ratings do not constitute recommendations to purchase, hold or sell the New Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the New Notes, on other of our securities, or on us. Additionally, the Company is expected to be assigned a corporate family rating of "Ba1 Stable" by Moody's Investors Service and a long-term corporate rating of "BB+ Negative" by Standard & Poor's Global Rating Services. We cannot assure you that the ratings on the New Notes or our corporate credit rating will remain in effect for any given period or that the ratings will not be lowered, put on negative outlook or CreditWatch negative, or otherwise revised or withdrawn entirely by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of the United States and New York Law and Hong Kong law, Sidley Austin LLP as to matters of the English law, Tian Yuan Law Offices as to matters of PRC law and Conyers Dill & Pearman as to matters of Bermuda, BVI and Cayman Islands law. Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of United States federal and New York law and King & Wood Mallesons as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial statements as of and for the two fiscal years ended March 31, 2020 and 2021 included in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in their reports appearing herein.

The unaudited condensed financial statement as of and for the six months ended September 30, 2020 and 2021 included in this offering memorandum have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, as stated in their reports appearing herein.

For the purpose of the offers and sales outside the United States in reliance on Regulation S under the Securities Act, PricewaterhouseCoopers has acknowledged the references to its name and the inclusion of its report in the form and context in which they are respectively included in this offering memorandum.

GENERAL INFORMATION

Consents

All necessary consents, approvals and authorizations in connection with the issue and performance of the New Notes and the Subsidiary Guarantees have been obtained. The entering into of the Indenture and the issue of the New Notes have been authorized by a resolution of the Company's board of directors dated November 8, 2021. The entering into the Indenture and the issue of the Subsidiary Guarantees have been authorized by resolutions of the initial Subsidiary Guarantors' board of directors dated November 8, 2021 and, in the case of Subsidiary Guarantors incorporated in Hong Kong, have been approved by resolutions of such Subsidiary Guarantors' shareholders dated November 8, 2021.

Clearing System and Settlement

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

ISIN	Common Code
XS2320779213	232077921

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the New Notes

The Original Notes are listed on the SGX-ST. Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New Notes will be traded in a minimum board lot size of US$200,000. The SGX-ST assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this offering memorandum. Approval in-principle for the listing and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Notes, the Subsidiary Guarantees, the Company, the Subsidiary Guarantors or their respective subsidiaries or associated companies, if any.

For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, a paying agent in Singapore will be appointed and maintained where the New Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for individual definitive Notes. In addition, in the event that the Global Note is exchanged for individual definitive Notes, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the individual definitive Notes, including details of the paying agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Financial Statements as of and for the Six Months Ended September 30, 2021

Audited Consolidated Financial Statements as of and for the Year Ended March 31, 2021

Unaudited Condensed Consolidated Financial Statements as of and for the Six Months Ended September 30, 2020

Audited Consolidated Financial Statements as of and for the Year Ended March 31, 2020

The audited consolidated financial statements set out herein have been reproduced from the Company's annual reports for the year ended March 31, 2020 and 2021, and page references are to pages set forth in such annual report. The audited consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.

The unaudited condensed consolidated financial statements set out herein have been reproduced from the Company's interim report for the six months ended September 30, 2020 and 2021, and page references are to pages set forth in such interim report. The unaudited condensed consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.

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 2021, together with the comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
	Notes	**2021 (unaudited) HK$'000**	2020 (unaudited) HK$'000
Revenue	5	**6,472,791**	5,131,231
Cost of sales		**(3,947,464)**	(3,020,749)
Gross profit		**2,525,327**	2,110,482
Other income	5	**212,442**	205,850
Selling and distribution costs		**(129,995)**	(104,522)
Administrative expenses		**(430,608)**	(374,294)
Loss on deregistration or disposal of subsidiaries, net		**(7,384)**	(2,914)
Operating profit	7	**2,169,782**	1,834,602
Finance costs	8	**(200,811)**	(192,622)
Share of results of associates		**122,394**	72,070
Profit before income tax		**2,091,365**	1,714,050
Income tax expense	9	**(512,588)**	(446,560)
Profit for the period		**1,578,777**	1,267,490

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

		Six months ended 30 September	
	Notes	**2021 (unaudited) HK$'000**	2020 (unaudited) HK$'000
Profit for the period attributable to:			
Owners of the Company		**1,019,696**	826,479
Non-controlling interests		**559,081**	441,011
		1,578,777	1,267,490
Earnings per share for profit attributable to owners of the Company during the period	10	**HK cents**	HK cents
Basic		**63.61**	51.68
Diluted		**62.47**	50.56

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2021 (unaudited) HK$'000	2020 (unaudited) HK$'000
Profit for the period	**1,578,777**	1,267,490
Other comprehensive income/(loss)		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	**605,708**	234,077
– Recycling of currency translation differences upon deregistration or disposal of subsidiaries, net	**441**	137
– Recycling of reserves upon deregistration of a subsidiary	**(1,032)**	–
– Recycling of currency translation differences upon deemed disposal of an associate	**–**	1,688
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	**57,719**	(57,738)
– Share of other comprehensive loss of an associate	**(18,765)**	–
Other comprehensive income for the period, net of tax	**644,071**	178,164
Total comprehensive income for the period	**2,222,848**	1,445,654
Total comprehensive income attributable to:		
Owners of the Company	**1,518,879**	947,824
Non-controlling interests	**703,969**	497,830
	2,222,848	1,445,654

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
	Notes	**30 September 2021 (unaudited) HK$'000**	31 March 2021 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**3,080,060**	2,862,637
Right-of-use assets	12	**1,337,555**	1,292,404
Investment properties		**1,275,601**	1,195,821
Interests in associates	13	**2,625,592**	2,517,567
Financial assets at fair value through other comprehensive income	14	**382,101**	376,245
Goodwill		**1,439,361**	1,409,125
Other intangible assets	12	**24,304,017**	21,654,961
Prepayments, deposits and other receivables	16	**753,470**	719,713
Contract assets		**1,045,349**	1,049,620
Receivables under service concession arrangements		**1,154,293**	1,083,169
		37,397,399	34,161,262
Current assets			
Properties under development		**1,828,067**	1,826,463
Properties held for sale		**758,902**	732,617
Inventories		**1,103,739**	922,325
Contract assets		**876,325**	479,269
Receivables under service concession arrangements		**73,847**	69,090
Trade and bills receivables	15	**1,340,847**	1,071,490
Financial assets at fair value through profit or loss		**1,034,330**	1,035,098
Due from non-controlling equity holders of subsidiaries		**390,908**	268,488
Due from associates		**173,154**	175,912
Prepayments, deposits and other receivables	16	**2,233,666**	1,879,698
Pledged deposits		**440,651**	515,117
Cash and cash equivalents		**4,672,012**	3,901,218
		14,926,448	12,876,785

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	As at 30 September 2021 (unaudited) HK$'000	As at 31 March 2021 (audited) HK$'000
Current liabilities			
Lease liabilities		**32,990**	30,531
Contract liabilities		**1,038,062**	1,099,264
Trade and bills payables	17	**4,506,216**	3,759,730
Accrued liabilities, deposits received and other payables	18	**2,626,361**	2,148,055
Due to associates		**84,737**	64,772
Borrowings	19	**4,853,167**	5,261,847
Due to non-controlling equity holders of subsidiaries		**333,603**	208,074
Provision for tax		**2,295,359**	1,974,885
		15,770,495	14,547,158
Net current liabilities		**(844,047)**	(1,670,373)
Total assets less current liabilities		**36,553,352**	32,490,889
Non-current liabilities			
Borrowings	19	**14,953,952**	13,167,026
Lease liabilities		**335,917**	329,048
Contract liabilities		**343,786**	310,135
Due to non-controlling equity holders of subsidiaries		**676,749**	392,139
Deferred government grants		**243,923**	243,127
Deferred tax liabilities		**1,210,239**	1,099,386
		17,764,566	15,540,861
Net assets		**18,788,786**	16,950,028

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	As at 30 September 2021 (unaudited) HK$'000	As at 31 March 2021 (audited) HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	**16,323**	15,849
Reserves		**11,754,511**	10,496,694
		11,770,834	10,512,543
Non-controlling interests		**7,017,952**	6,437,485
Total equity		**18,788,786**	16,950,028

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2021 (unaudited) HK$'000	2020 (unaudited) HK$'000
Net cash inflow from operating activities	**1,683,923**	1,157,337
Net cash outflow from investing activities	**(2,062,490)**	(2,475,058)
Net cash inflow from financing activities	**1,131,082**	672,617
Increase/(decrease) in cash and cash equivalents	**752,515**	(645,104)
Cash and cash equivalents at beginning of period	**3,901,218**	5,640,664
Effect of foreign exchange rates, net	**18,279**	22,570
Cash and cash equivalents at end of period	**4,672,012**	5,018,130
Analysis of balances of cash and cash equivalents		
Bank and cash balances	**4,672,012**	5,018,130

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company														
	Share capital HK$'000	**Proposed dividend** HK$'000	**Share premium** HK$'000	**Convertible bonds equity reserve** HK$'000	**Capital redemption reserve** HK$'000	**Contributed surplus** HK$'000	**Exchange fluctuation reserve** HK$'000	**Share options reserve** HK$'000	**Other reserves** HK$'000	**Financial assets at fair value through other comprehensive income revaluation reserve** HK$'000	**Statutory reserves** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Balance at 1 April 2021	**15,849**	**253,584**	**-**	**282,190**	**3,304**	**32,373**	**122,834**	**96,808**	**(231,083)**	**55,259**	**851,030**	**9,030,395**	**10,512,543**	**6,437,485**	**16,950,028**
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
Deregistration 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)
Transactions with owners	**474**	**(253,584)**	**281,716**	**(282,190)**	**-**	**-**	**-**	**-**	**583**	**-**	**-**	**(7,587)**	**(260,588)**	**(123,502)**	**(384,090)**
Proposed interim dividend	**-**	**261,172**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(261,172)**	**-**	**-**	**-**
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(ii))*	-	-	-	-	-	-	-	-	-	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 deregistration of a subsidiary	-	-	-	-	-	-	441	-	-	-	-	-	441	-	441
– Recycling of reserves upon deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,032)	-	(1,032)	-	(1,032)
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**461,261**	**-**	**4,260**	**34,694**	**(1,032)**	**1,019,696**	**1,518,879**	**703,969**	**2,222,848**
Balance at 30 September 2021 (unaudited)	**16,323**	**261,172**	**281,716**	**-**	**3,304**	**32,373**	**584,095**	**96,808**	**(226,240)**	**89,953**	**849,998**	**9,781,332**	**11,770,834**	**7,017,952**	**18,788,786**

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

	Equity attributable to owners of the Company														
	Share capital HK$'000	**Proposed dividend** HK$'000	**Treasury shares** HK$'000	**Convertible bonds equity reserve** HK$'000	**Capital redemption reserve** HK$'000	**Contributed surplus** HK$'000	**Exchange fluctuation reserve** HK$'000	**Share options reserve** HK$'000	**Other reserves** HK$'000	**Financial assets at fair value through other comprehensive income revaluation reserve** HK$'000	**Statutory reserves** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Balance at 1 April 2020	**16,040**	**256,645**	**-**	**-**	**3,113**	**147,201**	**(626,533)**	**96,808**	**(172,324)**	**106,224**	**631,110**	**8,049,426**	**8,507,710**	**5,590,793**	**14,098,503**
Share repurchase	(121)	-	(36,698)	-	-	(74,492)	-	-	-	-	-	-	(111,311)	-	(111,311)
Share repurchase expense	-	-	(113)	-	-	(262)	-	-	-	-	-	-	(375)	-	(375)
Convertible bonds issued	-	-	-	282,190	-	-	-	-	-	-	-	-	282,190	-	282,190
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	55,709	55,709
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(42,494)	-	-	-	(42,494)	(207,706)	(250,200)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,779)	(4,779)
Capital contribution by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	6,413	6,413
Final dividend approved	-	(256,645)	-	-	-	2,267	-	-	-	-	-	-	(254,378)	-	(254,378)
Dividend paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(237,912)	(237,912)
Transactions with owners	**(121)**	**(256,645)**	**(36,811)**	**282,190**	**-**	**(72,487)**	**-**	**-**	**(42,494)**	**-**	**-**	**-**	**(126,368)**	**(388,275)**	**(514,643)**
Proposed interim dividend	**-**	**238,781**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(238,781)**	**-**	**-**	**-**
Transfer to capital redemption reserve	**-**	**-**	**-**	**-**	**121**	**-**	**-**	**-**	**-**	**-**	**-**	**(121)**	**-**	**-**	**-**
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	826,479	826,479	441,011	1,267,490
Other comprehensive income/(loss)															
– Change in fair value of financial assets at fair value through other comprehensive income *(note 14(ii))*	-	-	-	-	-	-	-	-	-	(57,738)	-	-	(57,738)	-	(57,738)
– Currency translation	-	-	-	-	-	-	177,258	-	-	-	-	-	177,258	56,819	234,077
– Recycling of reserves upon deemed disposal of an associate	-	-	-	-	-	-	-	-	(127)	193	-	(66)	-	-	-
– Recycling of currency translation differences upon deemed disposal of an associate	-	-	-	-	-	-	1,688	-	-	-	-	-	1,688	-	1,688
– Recycling of currency translation differences upon disposal of subsidiaries	-	-	-	-	-	-	137	-	-	-	-	-	137	-	137
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**179,083**	**-**	**(127)**	**(57,545)**	**-**	**826,413**	**947,824**	**497,830**	**1,445,654**
Balance at 30 September 2020 (unaudited)	**15,919**	**238,781**	**(36,811)**	**282,190**	**3,234**	**74,714**	**(447,450)**	**96,808**	**(214,945)**	**48,679**	**631,110**	**8,636,937**	**9,329,166**	**5,700,348**	**15,029,514**

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 2021 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 September 2021, the Group's current liabilities exceeded its current assets by HK$844,047,000 (31 March 2021: HK$1,670,373,000). 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, the US$200,000,000 senior notes issued in May 2021 and completion of the partial redemption of the US$150,000,000 senior notes due February 2022. 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 2021 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 2021.

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

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

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 2021.

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 2021.

There have been no changes in the risk management policies since year ended 31 March 2021.

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 2021:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial assets at fair value through other comprehensive income	**6,538**	**–**	**375,563**	**382,101**
Financial assets at fair value through profit or loss	**–**	**–**	**1,034,330**	**1,034,330**
Net fair values (unaudited)	**6,538**	**–**	**1,409,893**	**1,416,431**

The following table presents the Group's financial assets that are measured at fair value at 31 March 2021:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through other comprehensive income	7,144	–	369,101	376,245
Financial assets at fair value through profit or loss	–	–	1,035,098	1,035,098
Net fair values (audited)	7,144	–	1,404,199	1,411,343

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:

	30 September 2021 (unaudited) HK$'000	31 March 2021 (audited) HK$'000
Financial assets at fair value through other comprehensive income:		
Opening balance	**369,101**	349,486
Changes in fair value recognised in other comprehensive income	**(3,615)**	2,353
Acquisition of subsidiaries	**1,205**	–
Additions	**–**	816
Disposal	**(21)**	–
Exchange realignment	**8,893**	16,446
Ending balance	**375,563**	369,101
Financial assets at fair value through profit or loss:		
Opening balance	**1,035,098**	292,135
Net purchase/(disposal) and changes in fair value of financial assets at fair value through profit or loss	**(768)**	742,963
Ending balance	**1,034,330**	1,035,098

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:

	Six months ended 30 September	
	2021 (unaudited) HK$'000	2020 (unaudited) HK$'000
Revenue:		
Water supply operation services	**1,642,254**	1,342,587
Water supply connection income	**1,052,154**	905,698
Water supply construction services	**2,120,025**	1,891,837
Direct drinking water operation services	**38,049**	10,028
Direct drinking water connection income	**23,483**	8,667
Direct drinking water construction services	**177,399**	32,997
Sewage treatment and drainage operation services	**182,403**	165,692
Sewage treatment and water environmental renovation construction services	**373,479**	291,942
Sales of properties	**368,481**	282,323
Sales of goods	**271,097**	5,899
Hotel and rental income	**54,198**	39,931
Finance income	**21,379**	20,624
Handling income	**19,668**	16,957
Others	**128,722**	116,049
Total	**6,472,791**	5,131,231
Other income:		
Interest income	**62,308**	101,306
Government grants and subsidies#	**110,132**	70,356
Amortisation of deferred government grants	**5,005**	4,583
Gain on disposal of property, pant and equipment, net	**3,317**	1,465
Dividend income from financial assets	**4,281**	6,758
Miscellaneous income	**27,399**	21,382
Total	**212,442**	205,850

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 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 interests in associates.

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

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

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
Revenue					
From external customers	5,145,701	596,075	386,482	344,533	6,472,791
From inter-segment	-	-	-	-	-
Segment revenue	5,145,701	596,075	386,482	344,533	6,472,791
Segment profit/(loss)	1,927,368	188,648	91,082	(6,878)	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)
Profit for the period					1,578,777
Total segment assets	30,752,290	4,024,751	4,163,024	3,178,938	42,119,003

For the period ended 30 September 2020

	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
Revenue					
From external customers	4,240,201	500,194	301,166	89,670	5,131,231
From inter-segment	–	–	–	–	–
Segment revenue	4,240,201	500,194	301,166	89,670	5,131,231
Segment profit	1,626,362	132,781	64,344	18,753	1,842,240
Unallocated corporate income					108,178
Unallocated corporate expense					(112,902)
Loss on disposal of subsidiaries, net					(2,914)
Finance costs					(192,622)
Share of results of associates	35,493	34,323	–	2,254	72,070
Profit before income tax					1,714,050
Income tax expense					(446,560)
Profit for the period					1,267,490
Total segment assets	24,788,100	3,164,922	3,668,788	2,706,699	34,328,509

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:

	Six months ended 30 September	
	2021 (unaudited) HK$'000	2020 (unaudited) HK$'000
Depreciation of property, plant and equipment	**58,800**	39,685
Depreciation of right-of-use assets	**34,797**	32,086
Amortisation of other intangible assets	**345,425**	279,799

8. Finance costs

	Six months ended 30 September	
	2021 (unaudited) HK$'000	2020 (unaudited) HK$'000
Interest on bank loans	**298,626**	282,606
Interest on other loans	**130,234**	88,852
Interest on lease liabilities	**9,122**	8,843
Total borrowing costs	**437,982**	380,301
Less: interest capitalised included in property, plant and equipment, other intangible assets and properties under development	**(237,171)**	(187,679)
	200,811	192,622

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 (2020: Nil). Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

	Six months ended 30 September	
	2021 (unaudited) HK$'000	2020 (unaudited) HK$'000
Current income tax:		
– the PRC *(note)*	**440,533**	392,644
Deferred tax	**72,055**	53,916
Total income tax expense	**512,588**	446,560

Note: The provision for PRC current income tax is based on a statutory income tax rate of 25% (2020: 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% (2020: 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$1,019,696,000 (2020: HK$826,479,000) and the weighted average of 1,603,041,000 (2020: 1,599,118,000) ordinary shares in issue during the period.

For the financial period ended 30 September 2021, the calculation of diluted earnings per share is 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.

For the financial period ended 30 September 2020, the calculation of diluted earnings per share is based on the profit for the period attributable to owners of the Company of HK$826,479,000 and after adjustments to reflect the effect of deemed exercise or conversion of convertible bonds, which was the adjusted weighted average of 1,634,684,000 ordinary shares outstanding during the period, being the weighted average number of ordinary shares of 1,599,118,000 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 35,566,000 ordinary shares.

11. Dividend

Dividend attributable to the interim period:

	Six months ended 30 September	
	2021 (unaudited) HK$'000	2020 (unaudited) HK$'000
Interim dividend – HK$0.16 (2020: HK$0.15) per ordinary share	**261,172**	238,781

The interim dividend proposed after the reporting date for the financial period ended 30 September 2021 and 2020 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 2021, the addition in property, plant and equipment amounted to HK$101,839,000 (31 March 2021: HK$565,022,000); right-of-use assets amounted to HK$25,235,000 (31 March 2021: HK$13,442,000); and other intangible assets amounted to HK$2,300,396,000 (31 March 2021: HK$3,675,171,000).

13. Interests in associates

The movement of the carrying amount of interests in associates for the six months ended 30 September 2021 was as follows:

	Six months ended 30 September
	2021 (unaudited) HK$'000
Opening balance	**2,517,567**
Acquisition of subsidiaries	**2,108**
Disposals	**(241)**
Share of profit	**122,394**
Share of other comprehensive loss	**(18,765)**
Dividend paid	**(48,638)**
Exchange realignment	**51,167**
Ending balance	**2,625,592**

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 2021 (unaudited) HK$'000	As at 31 March 2021 (audited) HK$'000
Listed equity securities in Hong Kong	HK$	**6,538**	7,144
Unlisted equity securities outside Hong Kong	RMB	**375,563**	369,101
		382,101	376,245

(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 2021 (unaudited) HK$'000	Six months ended 30 September 2021 (unaudited) HK$'000
Change in fair value of financial assets at fair value through other comprehensive income	**57,719**	(57,738)
Dividend income from financial assets *(note 5)*	**4,281**	6,758

15. Trade and bills receivables

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

	As at	
	30 September 2021 (unaudited) HK$'000	31 March 2021 (audited) HK$'000
0 to 90 days	**635,443**	464,895
91 to 180 days	**133,976**	100,234
Over 180 days	**571,428**	506,361
	1,340,847	1,071,490

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.

16. Prepayments, deposits and other receivables

		As at	
	Notes	**30 September 2021 (unaudited) HK$'000**	31 March 2021 (audited) HK$'000
Non-current			
Deposits for acquisition of equity securities		**11,060**	–
Prepayments and other receivables	(i)	**742,410**	719,713
		753,470	719,713
Current			
Prepayments		**353,901**	294,702
Other receivables	(ii)	**1,879,765**	1,584,996
		2,233,666	1,879,698

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:

	As at	
	30 September 2021 (unaudited) HK$'000	31 March 2021 (audited) HK$'000
0 to 90 days	**2,378,958**	1,970,786
91 to 180 days	**543,860**	390,548
Over 180 days	**1,583,398**	1,398,396
	4,506,216	3,759,730

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

As at 30 September 2021, the bills payables of HK$572,820,000 (31 March 2021: HK$611,954,000) were secured by the pledged bank deposits of HK$313,799,000 (31 March 2021: HK$363,885,000).

18. Accrued liabilities, deposits received and other payables

	As at	
	30 September 2021 (unaudited) HK$'000	31 March 2021 (audited) HK$'000
Accrued liabilities	**495,189**	448,369
Deposits received	**90,064**	73,270
Other payables *(note)*	**2,041,108**	1,626,416
	2,626,361	2,148,055

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$552,503,000 (31 March 2021: HK$440,850,000), payables for other PRC tax surcharges and construction costs, and payables for the Company's final dividend of HK$261,171,000 (31 March 2021: HK$ Nil).

19. Borrowings

	Original currency	As at 30 September 2021 (unaudited) HK$'000	As at 31 March 2021 (audited) HK$'000
Current			
Bank loans – unsecured	RMB	**842,204**	924,504
Bank loans – secured	RMB	**1,405,719**	1,186,642
Bank loans – unsecured	USD	**1,195,829**	539,067
Other loans – unsecured	RMB	**14,458**	14,647
Other loans – unsecured	USD	**1,159,833**	2,314,318
Other loans – secured	RMB	**82,812**	98,824
Other loans – secured	USD	**91,765**	91,764
Government loans – unsecured	RMB	**60,547**	92,081
		4,853,167	5,261,847
Non-current			
Bank loans – unsecured	RMB	**1,138,907**	1,184,561
Bank loans – secured	RMB	**4,841,959**	4,312,844
Bank loans – unsecured	USD	**5,956,691**	6,083,945
Bank loans – unsecured	HK$	**497,457**	497,040
Other loans – unsecured	RMB	**77,703**	75,874
Other loans – unsecured	USD	**1,510,767**	–
Other loans – secured	RMB	**245,249**	254,119
Other loans – secured	USD	**577,278**	621,760
Government loans – unsecured	RMB	**107,941**	136,883
		14,953,952	13,167,026
		19,807,119	18,428,873

20. Pledge of assets

Details of the pledge of assets of the Group for securing certain loan facilities and bills payables at 30 September 2021 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 2021 was HK$120,533,000 (31 March 2021: HK$100,021,000);

(d) charges over right-of-use assets in which their aggregate carrying amount as at 30 September 2021 was HK$373,601,000 (31 March 2021: HK$328,765,000);

(e) charges over investment properties in which their aggregate carrying amount as at 30 September 2021 was HK$1,184,185,000 (31 March 2021: HK$1,087,026,000);

(f) charges over other intangible assets in which their aggregate carrying amount as at 30 September 2021 was HK$1,998,873,000 (31 March 2021: HK$1,863,229,000);

(g) charges over properties held for sale in which their aggregate carrying amount as at 30 September 2021 was HK$81,408,000 (31 March 2021: HK$79,493,000);

(h) charges over the financial assets at fair value through other comprehensive income in which their aggregate carrying amount as at 30 September 2021 was HK$248,193,000 (31 March 2021: HK$245,882,000); and

(i) charges over the Group's bank deposits in amount of HK$440,651,000 as at 30 September 2021 (31 March 2021: HK$515,117,000).

21. Share capital

	Notes	Number of shares '000	Par value HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 30 September 2021 and 31 March 2021		20,000,000	200,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 31 March 2020 (audited)		**1,604,029**	**16,040**
Repurchased and cancelled	(i)	(19,126)	(191)
At 31 March 2021 (audited)		**1,584,903**	**15,849**
Shares issued in respect of conversion of convertible bonds	(ii)	47,419	474
At 30 September 2021 (unaudited)		**1,632,322**	**16,323**

Notes:

(i) During the year ended 31 March 2021, the Company repurchased a total of 19,126,000 ordinary shares of the Company at an aggregate cost of approximately HK$116,878,000 (excluding expenses). The highest price paid and the lowest price paid were HK$6.81 and HK$5.52 per share respectively. All repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the contributed surplus. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.

(ii) 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. Business combination

During the six months ended 30 September 2021, the Group entered into agreements with other existing shareholders and directors to obtain control of the board of directors of 南京水杯子科技股份有限公司 ("Nanjing Aquacup Technology Co., Ltd.") ("Nanjing Aquacup"). As at 30 September 2021, the Group has already acquired approximately 23.2% equity interest in Nanjing Aquacup at a total consideration of RMB34,887,000 (approximately HK$42,033,000). Nanjing Aquacup and its subsidiaries and associates ("Nanjing Aquacup Group") are principally engaged in pipeline direct drinking water business in the PRC. The acquisition was completed on 29 September 2021.

The acquisition was made as part of the Group's strategy to facilitate the pipeline direct drinking water business in the PRC.

Details of fair value of the net identified assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration – settled by cash	42,033
Fair value of net identified assets acquired	(25,509)
Goodwill	16,524

The goodwill of HK$16,524,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	**Carrying amount** HK$'000
Property, plant and equipment	105,668	88,025
Right-of-use assets	24,880	8,822
Interests in associates	2,108	2,108
Financial assets at fair value through other comprehensive income	1,205	1,205
Other intangible assets	34,699	8,936
Inventories	25,007	25,007
Contract assets	23,162	23,162
Trade and bills receivables	62,321	62,321
Prepayments, deposits and other receivables	16,750	16,750
Cash and cash equivalents	4,646	4,646
Lease liabilities	(5,769)	(5,769)
Contract liabilities	(2,479)	(2,479)
Trade and bills payables	(35,152)	(35,152)
Accrued liabilities, deposits received and other payables	(27,041)	(27,041)
Due to associates	(361)	(361)
Due to non-controlling equity holders of subsidiaries	(28,331)	(28,331)
Borrowings	(63,365)	(63,365)
Provision for tax	(328)	(328)
Deferred tax liabilities	(14,866)	–
Non-controlling interests	(97,245)	(63,003)
Net identifiable assets attributed to the Group acquired	25,509	15,153
Cash and cash equivalents in business acquired		4,646
Cash outflow on acquisition of business		(42,033)
Net cash outflow arising on acquisition		(37,387)

None of the receivables have been impaired and it is expected the full contractual amount can be collected.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

Since its acquisition, Nanjing Aquacup Group did not contribute any revenue and net profit to the Group for the period from 29 September 2021 to 30 September 2021.

Had the combination been taken place on 1 April 2021, the revenue and the net profit of the Group for the six months ended 30 September 2021 would have been HK$6,509,680,000 and HK$1,568,395,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor are they intended to be a projection of future results.

23. 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:

	Six months ended 30 September	
	2021 (unaudited) HK$'000	2020 (unaudited) HK$'000
Total remuneration of directors and other members of key management during the period		
– Short term employee benefits	**36,186**	35,989
– Retirement scheme contribution	**313**	203
	36,499	36,192

(b) Sales to an associate:

	Six months ended 30 September	
	2021 (unaudited) HK$'000	2020 (unaudited) HK$'000
Sales to an associate	**48,276**	36,489

The Group provided construction services of approximately HK$48,276,000 (2020: HK$36,489,000) 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.

24. Commitments

(i) Capital commitments

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

	As at	
	30 September 2021 (unaudited) HK$'000	31 March 2021 (audited) HK$'000
Contracted, but not provided for		
– Other intangible assets	**538,872**	508,901
– Property, plant and equipment	**15,039**	18,001
	553,911	526,902

(ii) Operating lease arrangement

The Group leases its investment properties under operating lease arrangements for terms ranging from one to ten 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:

	As at	
	30 September 2021 (unaudited) HK$'000	31 March 2021 (audited) HK$'000
Within one year	**19,174**	25,539
In the second to fifth years, inclusive	**31,902**	29,628
After five years	**593**	711
	51,669	55,878

25. Contingent liabilities

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

Independent Auditor's Report

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF CHINA WATER AFFAIRS GROUP LIMITED
(originally incorporated in the Cayman Islands and re-domiciled in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Water Affairs Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 160, which comprise:

- the consolidated statement of financial position as at 31 March 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Accounting for the service concession arrangements
- Impairment assessments of other intangible assets and goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
1 Accounting for the service concession arrangements	

Refer to notes 2.15, 5, 21 and 28 to the consolidated financial statements
 	
(a) Applicability of HK(IFRIC) Interpretation 12 – Service Concession Arrangements ("HK(IFRIC) Int.12")
 	
The Group entered into a number of service concession arrangements with certain government authorities in the People's Republic of China (the "PRC") in respect of its water supply business.
 	
In preparing the consolidated financial statements for the year ended 31 March 2021, management has reassessed these service concession agreements as to whether the conditions (i.e. the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor controls-through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.) under HK(IFRIC) Int.12 were fulfilled such that the service concession arrangements should be accounted for in accordance with HK(IFRIC) Int.12.
	Our procedures in relation to management's accounting for the service concession arrangements included:
	
	• Evaluating whether the service concession arrangements of previously acquired entities continually fulfil the conditions under HK(IFRIC) Int.12 by inquiring the management and reviewing pertinent board meeting minutes;
	
	• Evaluating whether the service concession arrangements of newly acquired entities fulfil the conditions under HK(IFRIC) Int.12 by:
	
	  • Reading the concession agreements and other relevant documents, including legal opinions, of the Group's water supply business; and
	
	  • Assessing the detailed analysis made by management on the terms of the service concession arrangements, particularly with regard to whether the Group or the grantors control the residual interests in the water supply infrastructures at the end of the service concession period, by reference to the relevant clauses in the concession agreements.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
(b) Recognition of revenue and costs relating to construction or upgrade services in connection with water supply infrastructure Revenue from construction services under the terms of the service concession agreements is estimated on a cost-plus basis with reference to a market rate of gross profit margin at the date of agreement applicable to similar construction services rendered in the PRC. The market rate of gross profit margin was determined based on the research and analysis performed by the management, with reference to the gross profit margins of market comparable companies and the management concluded that there was no significant change in the gross profit margin, which is subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of revenue relating to construction or upgrade services in connection with water supply infrastructure is considered high due to uncertainty of significant assumptions used. We have identified the accounting for service concession arrangements as a key audit matter because of its financial significance to the consolidated financial statements. Determination of appropriate accounting for these service concession arrangements also requires use of significant judgements and estimates from management. Significant effort is required in auditing these areas.	Our procedures in relation to management's recognition of revenue and costs relating to construction or upgrade services in connection with water supply infrastructure included: • Understanding, evaluating and testing the internal controls over the generation of cost data of the construction or upgrade projects and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors; • Comparing the actual costs of completed projects to management's prior estimations to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology; • Comparing the estimated total construction costs and cost incurred to date to the latest budget approved by management; • Checking the construction costs incurred during the year by tracing to supporting documents, such as purchase agreements, materials consumption notes and labour cost records on a sample basis; • Challenging the reasonableness of the gross profit margin adopted by the management by referencing to the analysis of the disclosure of gross profit margin of the comparable companies; • Testing the mathematical accuracy of the calculation of percentage of completion and revenue and costs recognised during the year; and • Evaluating the appropriateness of the disclosures made in the consolidated financial statements relating to the accounting treatment of the service concession arrangements. Based on the audit procedures performed, we found that the accounting treatments for the service concession arrangements made by management to be acceptable based on the available evidence.

Independent Auditor's Report

Key Audit Matter	**How our audit addressed the Key Audit Matter**
2 Impairment assessments of other intangible assets and goodwill	

Refer to notes 2.8, 2.9, 20 and 21 to the consolidated financial statements
 	
As at 31 March 2021, the carrying amounts of other intangible assets and goodwill amounted to HK$21,655.0 million and HK$1,409.1 million respectively.
 	
Other intangible assets are subject to impairment assessments when there is an indication of impairment. Goodwill is subject to impairment assessment at least annually or when there is an indication of impairment.
 	
The Group's other intangible assets mainly relate to its city water supply operations. During the year ended 31 March 2021, management considered whether there is an indication of impairment for the Group's other intangible assets with reference to the financial performance of the respective entities as compared to their business plans.
 	
The Group's goodwill mainly relates to its city water supply, sewage treatment and drainage and gas sales operations.
 	
Management determined the recoverable amounts of the cash-generating unit based on value-in-use calculations which involve judgements and assumptions in particular on the future business growth driven by town and population planning, forecast city water and gas tariffs and sewage charges, raw water, gas and electricity costs and discount rates, etc, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of other intangible assets and goodwill is considered high due to uncertainty of significant assumptions used.
 	
Based on the results of the impairment assessments, management concluded that there was no impairment of the other intangible assets and goodwill as at 31 March 2021.
	We evaluated management's assessments as to whether any indication of impairment exist in other intangible assets by:
	
	• Obtaining management's analysis of the indications of impairment and understanding management's rationale for the analysis; and
	
	• Assessing management's analysis by comparing the financial performance of certain entities against their business plan.
	
	Our procedures in relation to management's impairment assessments of other intangible assets and goodwill included:
	
	• Assessing the reasonableness of the key assumptions of the value-in-use calculations by:
	
	    • Understanding, evaluating and testing the internal controls over the impairment assessment of other intangible assets and goodwill and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors;
	
	    • Comparing the forecast against current year business result to assess if there is any inconsistency in the revenue and costs structure;
	
	    • Challenging the future business growth with reference to the town and population planning published by the corresponding county or city government and the capacity expansion plan of the related project; and
	
	    • Evaluating the forecast city water and gas tariffs, sewage charges, raw water, gas and electricity costs with reference to the current year level, price information published by the government, estimated inflation rate and available market forecast.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
As the assessment of indication of impairment for other intangible assets, and the value-in-use calculations for impairment assessments of other intangible assets and goodwill required the use of significant judgements and estimates from management, we considered it as a key audit matter.	• Challenging the reasonableness of the estimated value-in-use calculations and the discount rate applied; • Checking the mathematical accuracy of the value-in-use calculations; • Evaluating the sensitivity analysis performed by management on the key assumptions as stated above and assessed the potential impacts of a range of possible outcomes; and • Evaluating the appropriateness of the disclosures made in the consolidated financial statements. Based on the audit procedures performed, we found that management's assessment on whether any indication of impairment exists in respect of other intangible assets and the impairment assessments for other intangible assets and goodwill to be supportable by available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Cho Kin Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 June 2021

Consolidated Income Statement

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	6	**10,345,533**	8,694,303
Cost of sales		**(6,006,949)**	(4,935,818)
Gross profit		**4,338,584**	3,758,485
Other income	6	**376,626**	370,563
Selling and distribution costs		**(237,057)**	(199,135)
Administrative expenses		**(775,678)**	(735,335)
Other operating expenses		**(12,258)**	(13,121)
Loss on disposal of subsidiaries, net	42	**(3,162)**	(348)
Operating profit	8	**3,687,055**	3,181,109
Finance costs	9	**(370,577)**	(429,215)
Share of results of associates	18	**213,143**	412,615
Profit before income tax		**3,529,621**	3,164,509
Income tax expense	10	**(867,547)**	(657,220)
Profit for the year		**2,662,074**	2,507,289
Profit for the year attributable to:			
Owners of the Company		**1,692,464**	1,639,495
Non-controlling interests		**969,610**	867,794
		2,662,074	2,507,289
Earnings per share for profit attributable to owners of the Company during the year		**HK$**	HK$
Basic		**1.06**	1.02
Diluted		**1.04**	1.02

The notes on pages 54 to 160 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	**2,662,074**	2,507,289
Other comprehensive income/(loss)		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	**985,721**	(832,644)
– Recycling of currency translation differences upon disposal of subsidiaries	**703**	(258)
– Recycling of currency translation differences upon deemed disposal of an associate	**(180)**	–
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	**(44,042)**	2,964
– Share of other comprehensive loss of an associate	**(7,220)**	(1,814)
Other comprehensive income/(loss) for the year, net of tax	**934,982**	(831,752)
Total comprehensive income for the year	**3,597,056**	1,675,537
Total comprehensive income attributable to:		
Owners of the Company	**2,390,569**	1,008,628
Non-controlling interests	**1,206,487**	666,909
	3,597,056	1,675,537

The notes on pages 54 to 160 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	15	**2,862,637**	2,224,200
Right-of-use assets	16	**1,292,404**	1,297,830
Investment properties	17	**1,195,821**	1,031,042
Investment in associates	18	**2,517,567**	2,227,812
Financial assets at fair value through other comprehensive income	19	**376,245**	358,285
Goodwill	20	**1,409,125**	1,320,004
Other intangible assets	21	**21,654,961**	17,558,146
Prepayments, deposits and other receivables	22	**719,713**	894,863
Contract assets	23	**1,049,620**	670,545
Receivables under service concession arrangements	28	**1,083,169**	1,031,570
		34,161,262	28,614,297
Current assets			
Properties under development	24	**1,826,463**	1,505,720
Properties held for sale	25	**732,617**	751,533
Inventories	26	**922,325**	630,394
Contract assets	23	**479,269**	295,993
Receivables under service concession arrangements	28	**69,090**	62,361
Trade and bills receivables	27	**1,071,490**	1,324,787
Financial assets at fair value through profit or loss	29	**1,035,098**	292,135
Due from non-controlling equity holders of subsidiaries	35	**268,488**	211,072
Due from associates	18	**175,912**	13,411
Prepayments, deposits and other receivables	22	**1,879,698**	1,597,350
Pledged deposits	30	**515,117**	963,236
Cash and cash equivalents	30	**3,901,218**	5,640,664
		12,876,785	13,288,656
Current liabilities			
Lease liabilities		**30,531**	30,966
Contract liabilities	31	**1,099,264**	906,157
Trade and bills payables	32	**3,759,730**	3,106,708
Accrued liabilities, deposits received and other payables	33	**2,148,055**	2,482,964
Due to associates	18	**64,772**	121,805
Borrowings	34	**5,261,847**	4,090,990
Due to non-controlling equity holders of subsidiaries	35	**208,074**	163,642
Provision for tax		**1,974,885**	1,432,744
		14,547,158	12,335,976
Net current (liabilities)/assets		**(1,670,373)**	952,680
Total assets less current liabilities		**32,490,889**	29,566,977

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Borrowings	34	**13,167,026**	13,298,027
Lease liabilities		**329,048**	335,379
Contract liabilities	31	**310,135**	276,453
Due to non-controlling equity holders of subsidiaries	35	**392,139**	412,979
Deferred government grants	36	**243,127**	202,213
Deferred tax liabilities	37	**1,099,386**	943,423
		15,540,861	15,468,474
Net assets		**16,950,028**	14,098,503
Equity			
Equity attributable to owners of the Company			
Share capital	38	**15,849**	16,040
Reserves	40	**10,496,694**	8,491,670
		10,512,543	8,507,710
Non-controlling interests		**6,437,485**	5,590,793
Total equity		**16,950,028**	14,098,503

The consolidated financial statements on pages 45 to 160 were approved and authorised for issue by the board of directors on 29 June 2021 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

The notes on pages 54 to 160 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Equity attributable to owners of the Company												
	Share capital HK$'000	Proposed final dividend HK$'000	Capital redemption reserve HK$'000 (note 40)	Contributed surplus HK$'000 (note 40)	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000 (note 40)	Other reserves HK$'000 (note 40)	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Statutory reserves HK$'000 (note 40)	Retained earnings HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2019	**16,089**	**257,424**	**3,064**	**661,918**	**5,484**	**96,808**	**(220,028)**	**108,617**	**479,193**	**6,561,897**	**7,970,466**	**4,932,004**	**12,902,470**
Share repurchase (note 38)	(49)	–	–	(34,168)	–	–	–	–	–	–	(34,217)	–	(34,217)
Share repurchase expense	–	–	–	(119)	–	–	–	–	–	–	(119)	–	(119)
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	202,700	202,700
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	41,657	–	–	–	41,657	(117,036)	(75,379)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(140)	(140)
Deemed disposal of subsidiaries	–	–	–	–	–	–	2,504	–	–	–	2,504	(2,504)	–
Capital contribution by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	128,173	128,173
Final dividend 2019 (note 12)	–	(257,424)	–	779	–	–	–	–	–	–	(256,645)	–	(256,645)
Interim dividend 2020 (note 12)	–	–	–	(224,564)	–	–	–	–	–	–	(224,564)	–	(224,564)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(219,313)	(219,313)
Transactions with owners	**(49)**	**(257,424)**	**–**	**(258,072)**	**–**	**–**	**44,161**	**–**	**–**	**–**	**(471,384)**	**(8,120)**	**(479,504)**
Proposed final dividend 2020 (note 12)	**–**	**256,645**	**–**	**(256,645)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to capital redemption reserve (note 40)	**–**	**–**	**49**	**–**	**–**	**–**	**–**	**–**	**–**	**(49)**	**–**	**–**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**151,917**	**(151,917)**	**–**	**–**	**–**
Profit for the year	–	–	–	–	–	–	–	–	–	1,639,495	1,639,495	867,794	2,507,289
Other comprehensive income/(loss)													
– Change in fair value of financial assets at fair value through other comprehensive income (note 19(ii))	–	–	–	–	–	–	–	2,964	–	–	2,964	–	2,964
– Currency translation	–	–	–	–	(631,759)	–	–	–	–	–	(631,759)	(200,885)	(832,644)
– Share of other comprehensive income/(loss) of an associate	–	–	–	–	–	–	3,543	(5,357)	–	–	(1,814)	–	(1,814)
– Recycling of currency translation differences upon disposal of subsidiaries	–	–	–	–	(258)	–	–	–	–	–	(258)	–	(258)
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(632,017)**	**–**	**3,543**	**(2,393)**	**–**	**1,639,495**	**1,008,628**	**666,909**	**1,675,537**
Balance at 31 March 2020	**16,040**	**256,645**	**3,113**	**147,201**	**(626,533)**	**96,808**	**(172,324)**	**106,224**	**631,110**	**8,049,426**	**8,507,710**	**5,590,793**	**14,098,503**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Equity attributable to owners of the Company												Non-controlling interests HK$'000	Total equity HK$'000
	Share capital HK$'000	Proposed final dividend HK$'000	Convertible bonds equity reserve HK$'000 (note 40)	Capital redemption reserve HK$'000 (note 40)	Contributed surplus HK$'000 (note 40)	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000 (note 40)	Other reserves HK$'000 (note 40)	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Statutory reserves HK$'000 (note 40)	Retained earnings HK$'000	Total HK$'000		
Balance at 1 April 2020	**16,040**	**256,645**	**-**	**3,113**	**147,201**	**(626,533)**	**96,808**	**(172,324)**	**106,224**	**631,110**	**8,049,426**	**8,507,710**	**5,590,793**	**14,098,503**
Share repurchase (note 38)	(191)	–	–	–	(116,687)	–	–	–	–	–	–	(116,878)	–	(116,878)
Share repurchase expense	–	–	–	–	(408)	–	–	–	–	–	–	(408)	–	(408)
Convertible bonds issued (note 40)	–	–	282,190	–	–	–	–	–	–	–	–	282,190	–	282,190
Arising from acquisition of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	57,675	57,675
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	(53,617)	–	–	–	(53,617)	(211,571)	(265,188)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(102)	102	–	(8,861)	(8,861)
Deemed disposal of subsidiaries	–	–	–	–	–	–	–	(4,910)	–	–	–	(4,910)	41,096	36,186
Capital contribution by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	107,615	107,615
Final dividend 2020 (note 12)	–	(256,645)	–	–	2,267	–	–	–	–	–	–	(254,378)	–	(254,378)
Interim dividend 2021 (note 12)	–	–	–	–	–	–	–	–	–	–	(237,735)	(237,735)	–	(237,735)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(345,749)	(345,749)
Transactions with owners	**(191)**	**(256,645)**	**282,190**	**-**	**(114,828)**	**-**	**-**	**(58,527)**	**-**	**(102)**	**(237,633)**	**(385,736)**	**(359,795)**	**(745,531)**
Proposed final dividend 2021 (note 12)	**-**	**253,584**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(253,584)**	**-**	**-**	**-**
Transfer to capital redemption reserve (note 40)	**-**	**-**	**-**	**191**	**-**	**-**	**-**	**-**	**-**	**-**	**(191)**	**-**	**-**	**-**
Transfer to statutory reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**220,022**	**(220,022)**	**-**	**-**	**-**
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,692,464	1,692,464	969,610	2,662,074
Other comprehensive income/(loss)														
– Change in fair value of financial assets at fair value through other comprehensive income (note 19(ii))	–	–	–	–	–	–	–	–	(44,042)	–	–	(44,042)	–	(44,042)
– Currency translation	–	–	–	–	–	748,844	–	–	–	–	–	748,844	236,877	985,721
– Share of other comprehensive loss of an associate	–	–	–	–	–	–	–	(105)	(7,115)	–	–	(7,220)	–	(7,220)
– Recycling of reserves upon deemed disposal of an associate	–	–	–	–	–	–	–	(127)	192	–	(65)	–	–	–
– Recycling of currency translation differences upon deemed disposal of an associate	–	–	–	–	–	(180)	–	–	–	–	–	(180)	–	(180)
– Recycling of currency translation differences upon disposal of subsidiaries	–	–	–	–	–	703	–	–	–	–	–	703	–	703
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**749,367**	**-**	**(232)**	**(50,965)**	**-**	**1,692,399**	**2,390,569**	**1,206,487**	**3,597,056**
Balance at 31 March 2021	**15,849**	**253,584**	**282,190**	**3,304**	**32,373**	**122,834**	**96,808**	**(231,083)**	**55,259**	**851,030**	**9,030,395**	**10,512,543**	**6,437,485**	**16,950,028**

The notes on pages 54 to 160 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Profit before income tax		**3,529,621**	3,164,509
Adjustments for:			
Finance costs	9	**370,577**	429,215
Share of results of associates	18	**(213,143)**	(412,615)
Interest income	6	**(159,490)**	(119,337)
Dividend income from financial assets	6	**(9,648)**	(13,566)
Amortisation of deferred government grants	6	**(9,624)**	(9,176)
Depreciation of property, plant and equipment	8	**82,920**	73,155
Depreciation of right-of-use assets	8	**68,366**	67,475
Amortisation of other intangible assets	8	**578,448**	479,145
Amortisation of capitalised expenses	8	**50,589**	46,079
Loss/(gain) on disposal of property, plant and equipment, net	8	**299**	(7,532)
Gain on disposal of right-of-use assets, net		**(5,890)**	–
Gain on disposal of other intangible assets, net		**(6,349)**	–
(Gain)/loss on disposal of investment properties		**(19)**	460
Property, plant and equipment written off	8	**1,189**	551
Bad debts written off	8	**1,825**	1,427
Loss on disposal of subsidiaries, net	42	**3,162**	348
Gain on disposal of financial assets at fair value through profit or loss, net		**–**	(70)
Construction margin for construction and upgrade services in relation to water supply and sewage treatment infrastructure		**(390,116)**	(325,995)
Operating profit before working capital changes		**3,892,717**	3,374,073
Increase in properties under development		**(483,345)**	(417,211)
Decrease in properties held for sale		**236,436**	156,523
Increase in inventories		**(259,183)**	(98,282)
Increase in contract assets		**(516,867)**	(227,074)
Increase in receivables under service concession arrangements		**(6,849)**	(3,895)
Decrease/(increase) in trade and bills receivables		**320,117**	(121,973)
(Increase)/decrease in amounts due from non-controlling equity holders of subsidiaries		**(50,521)**	41,610
(Increase)/decrease in prepayments, deposits and other receivables		**(18,502)**	88,431
Increase in contract liabilities		**169,493**	299,201
Increase in trade and bills payables		**509,236**	776,877
(Decrease)/increase in accrued liabilities, deposits received and other payables		**(549,900)**	389,786
Cash generated from operations		**3,242,832**	4,258,066
Interest paid for bank and other loans		**(351,826)**	(410,157)
Interest paid on lease liabilities		**(18,751)**	(19,058)
Income taxes paid		**(218,553)**	(416,000)
Net cash generated from operating activities		**2,653,702**	3,412,851

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Interest received		**159,490**	119,337
Dividend received from financial assets		**9,648**	13,566
Purchase of property, plant and equipment	15	**(565,022)**	(258,689)
Proceeds from disposal of property, plant and equipment		**10,631**	8,129
Purchase of right-of-use assets – land lease payments		**(5,397)**	(63,965)
Proceeds from disposal of right-of-use assets		**8,998**	1,046
Additions of investment properties	17	**(124,025)**	(167,126)
Proceeds from disposal of investment properties		**7,784**	6,956
Purchase of financial assets at fair value through other comprehensive income		**(816)**	(3,660)
Purchase of financial assets at fair value through profit or loss		**(491,765)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	175,283
Additions of water supply and sewage treatment concession rights		**(3,285,055)**	(2,786,819)
Proceeds from disposal of other intangible assets		**33,092**	10,565
Acquisition of subsidiaries (net of cash and cash equivalent acquired)		**(111,488)**	(31,858)
Disposal of subsidiaries (net of cash and cash equivalent disposed)		**21,368**	1,688
Investments in associates		**(13,097)**	(764,602)
Proceeds from disposal of an associate		**–**	64,304
Dividends received from associates		**14,105**	11,568
(Increase)/decrease in amounts due from associates		**(161,586)**	116,009
Decrease/(increase) in prepayments, deposits and other receivables		**7,554**	(54,682)
Deferred government grants received		**41,134**	2,290
Decrease/(increase) in pledged deposits		**461,537**	(338,972)
Net cash used in investing activities		**(3,982,910)**	(3,939,632)

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from financing activities			
Payment for repurchase of ordinary shares		**(117,286)**	(34,336)
Acquisition of additional interests in subsidiaries		**(233,388)**	(33,364)
Capital contribution by non-controlling equity holders of subsidiaries		**107,615**	82,562
(Repayment of)/advance from amounts due to non-controlling equity holders of subsidiaries		**(348,800)**	95,410
(Repayment of)/advance from amounts due to associates		**(62,765)**	38,587
Repayment of lease liabilities		**(33,199)**	(35,097)
Drawdown of bank loans		**4,768,724**	5,765,690
Repayment of bank loans		**(4,565,209)**	(2,889,935)
Drawdown of other loans		**801,655**	309,250
Repayment of other loans		**(343,298)**	(623,512)
Dividend paid		**(492,113)**	(481,209)
Net cash (used in)/generated from financing activities		**(518,064)**	2,194,046
Net (decrease)/increase in cash and cash equivalents		**(1,847,272)**	1,667,265
Cash and cash equivalents at beginning of year		**5,640,664**	3,973,315
Effect of foreign exchange rates, net		**107,826**	84
Cash and cash equivalents at end of year	30	**3,901,218**	5,640,664

The notes on pages 54 to 160 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

1 CORPORATE INFORMATION

China Water Affairs Group Limited (the "Company") was previously incorporated in the Cayman Islands as an exempted company under the Cayman Islands Companies Law with its ordinary shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed in an extraordinary general meeting held on 9 June 2003 and approved by the Registrars of Companies in the Cayman Islands and Bermuda on 9 July 2003, the Company de-registered from the Cayman Islands under Section 226 of the Companies Law and re-domiciled in Bermuda under Section 132C of the Companies Act 1981 of Bermuda as an exempted company.

The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Suite 6408, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 47 to the consolidated financial statements. The Company and its subsidiaries are together defined to as the "Group" hereafter.

These financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 29 June 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

As at 31 March 2021, the Group's current liabilities exceeded its current assets by HK$1,670,373,000. The directors of the Company are of the view that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account the forecast cash flows including the loan facilities available, and the USD200,000,000 senior notes issued in May 2021 (see note 48). The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

During the year, the Group adopted the following new and amended standards which are relevant to the Group's operation and are mandatory for the year ended 31 March 2021.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform
HKFRS 3 (Amendments)	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The above new and amended standards adopted by the Group did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(b) *New standards and amendments to standards that have been issued but are not effective for the financial year beginning on 1 April 2020 and have not been early adopted*

The following standards and amendments to standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2020 or later periods, but the Group has not early adopted them.

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions	1 June 2020
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous contracts – cost of fulfilling a contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statement – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of the impact of these new standard and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(e) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, which are the Group's chief operating decision-maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

(i) "City water supply operation and construction" involves the provision of water supply operation and construction services;

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

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

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

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

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

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

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

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

No asymmetrical allocations have been applied to reportable segments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income or finance costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within "administrative expenses".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the interests of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	50 years
Leasehold improvements	5 years
Plant and machinery	6 to 30 years
Furniture, equipment and motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income" in the consolidated income statement.

2.7 Investment properties

Investment property, principally comprising land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers or the Group. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties (Continued)

Changes in fair values are recorded in the consolidated income statement as "fair value gain on investment properties". Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, HKAS16 for owned property and HKFRS16 for property held by a lessee as right-of-use assets up to the date of change in use should be applied. Any difference resulting between the carrying amount of the property in accordance with HKAS16 or HKFRS16 and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the consolidated income statement.

Where an investment property undergoes a change in use, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

For a transfer from properties under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in consolidated income statement. Transfers to investment property shall be made when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party. The commencement of an operating lease is generally an evidence of a change in use. A change in use has occurred is based on an assessment of all relevant facts and circumstances. The relevant facts include but not limited to the Group's business plan, financial resources and legal requirements.

2.8 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at not higher than operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

The Group's intangible assets (other than goodwill) represent the rights to operate sewage treatment infrastructures and water supply infrastructures in the People's Republic of China (the "PRC"). These intangible assets are amortised on a straight-line basis over the terms of operation ranging from 10 to 50 years. Both period and method of amortisation are reviewed annually.

Intangible assets with finite useful lives are tested for impairment as described in note 2.10 to the consolidated financial statements.

2.10 Impairment of non-financial assets and investment in associates

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial investments and other financial assets

2.11.1 Classification

The Group classifies its financial investments and other financial assets either those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial investments and other financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statement or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI ("FVOCI").

The group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial investments and other financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial investments and other financial assets are derecognised when the rights to receive cash flows from the financial investments and other financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial investments and other financial assets (Continued)

2.11.3 Measurement

At initial recognition, the Group measures a financial investment and other financial asset at its fair value plus, in the case of financial investments and other financial assets not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial investments and other financial assets. Transaction costs of financial investments and other financial assets carried at FVPL are expensed in consolidated income statement.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial investments and other financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial investments and other financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial investment and other financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement and recognised in other gains/(losses). Interest income from these financial investments and other financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in administrative expenses and impairment expenses are presented as separate line item in the consolidated income statement.

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statement in the period in which it arises.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial investments and other financial assets (Continued)

2.11.3 Measurement (Continued)

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial investments and other financial assets at FVPL are presented as separate line item in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

– actual or expected significant adverse changes in external credit rating of the debtors;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet their obligations;

– actual or expected significant changes in the operating results of the debtors;

– significant increases in credit risk on other financial instruments of the same debtor; and

– significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors and changes in the operating results of the debtors.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial investments and other financial assets (Continued)

2.11.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Further information about the Group's accounting for trade receivables and the Group's impairment policies are described in note 2.11.4 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Service concession arrangements

Service concession arrangements are accounted for as follows if:

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangements is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement is recognised at its fair value as a financial asset or an intangible asset.

A financial asset (receivable under service concession arrangements) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure to be constructed meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangements) is accounted for in accordance with the policy set out for "Financial investments and other financial assets" in note 2.11 to the consolidated financial statements.

An intangible asset (other intangible assets) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (other intangible assets) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" in note 2.9 to the consolidated financial statements.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components are recognised initially at fair value of the consideration received or receivable.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Service concession arrangements (Continued)

Construction or upgrade services

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over time by measuring the progress towards complete satisfaction of the service. Contract costs are recognised as expenses by measuring the progress towards complete satisfaction of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the input method to determine the appropriate amount to recognise in a given period. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The fair value of the construction and upgrade services under the concession arrangement is calculated as the estimated total construction cost plus a profit margin. The profit margins are valued by an independent qualified valuer, based on prevailing market rate applicable to similar construction services rendered in similar location at date of agreement.

Revenue relating to construction or upgrade services are accounted for in accordance with the policy set out for "Revenue recognition" in note 2.24 to the consolidated financial statements.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" in note 2.24 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Service concession arrangements (Continued)

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the water supply infrastructures and sewage treatment infrastructures it operates to a specified level of serviceability and/or (b) to restore the infrastructures to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the water supply infrastructures and sewage treatment infrastructures are recognised and measured in accordance with the policy set out for "Provisions" in note 2.18 to the consolidated financial statements.

2.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to assets are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.18 Provisions

Provisions for environmental restoration, restructuring costs, and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Leases

Leases are recognised as a right-of-use assets and a corresponding liabilities at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Trade payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.23 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. This may be at a single point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- when the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions are met, the Group recognises revenue at a single point in time at which the performance obligation is satisfied for the sale of that good or service when control has been passed. If control of the product or service transfers over time, revenue is recognised over the period of the contract by measuring the progress towards complete satisfaction of that performance obligation. Revenue is recognised as follows:

(i) Revenues from the city water supply and gas sales are recognised at the point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the water and gas and the Group has present right to payment and the collection of the consideration is probable;

(ii) Revenue from long-term construction contracts is recognised over time by reference to the progress towards complete satisfaction of the service. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract;

(iii) Revenue from sewage treatment and drainage operation is recognised over the period when the services are rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customer;

(iv) Water supply connection income is recognised over time when services are rendered;

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(v) Revenue from sale of properties is recognised when or as the control of the asset is transferred to the customer. The revenue is recognised at a point in time when the customer obtains control of the completed property;

(vi) Sales of goods is recognised at the point in time when the control of the product is transferred to the customer which generally coincides with delivery and acceptance of the product sold;

(vii) Revenue from hotel services is recognised based on the period in which such services have been rendered;

(viii) Rental income receivable from operating lease is recognised in consolidated income statement on a straight-line basis over the period covered by the lease term;

(ix) Finance income on receivables under service concession arrangements is recognised using the effective interest method; and

(x) Handling income is recognised when services are rendered.

2.25 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is recognised in "other income" in the consolidated income statement where it is mainly earned from financial assets that are held for cash management purposes.

2.26 Dividend income

Dividends are received from financial assets at FVOCI. Dividends are recognised in "Other income" in the consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

2.27 Employee benefits

The Group operates various post-employment schemes, including both retirement benefits schemes and short-term employee benefits.

(i) Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central retirement benefit scheme operated by the local municipal or provincial government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central retirement benefit scheme. The Group has no further payment obligations once the contributions have been paid.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits (Continued)

(ii) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

2.28 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.29 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) as control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

2.30 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

On lapse of share options according to the plan, corresponding amount recognised in employees' share-based compensation reserve is transferred to retained earnings.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.31 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

2.32 Contract assets and contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Credit risk

The Group's credit risk is primarily attributable to financial instruments, contractual cash flows of debt instruments carried at fair value through profit or loss, receivables under service concession arrangements, trade and bill receivables, contract assets, deposits and other receivables, due from non-controlling equity holders of subsidiaries, due from associates and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored and controlled on an ongoing basis. It considers available reasonable and supportive forward-looking information.

For financial assets whose impairment losses are measured using expected credit loss ("ECL") model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognise their ECL, as follows:

– Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

– Stage 2: If the credit risk has increased significantly since its initial recognition but not yet deemed to be credit-impaired, the financial instrument is included in stage 2.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in stage 3.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, lifetime or 12-month expected credit losses are provided respectively.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at year end with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

- actual or expected significant changes in the operating results of the counterparty; and
- significant changes in the expected performance and behavior of the counterparty, including changes in the payment status of the counterparty.

The Group's cash and cash equivalents and pledged deposits are placed in reputable financial institutions with sound credit ratings assigned by international credit rating agencies. Management believes there is no significant credit risk of loss on such assets.

For receivables under service concession arrangements, the customers are primarily local governments or PRC state-owned entities and management considers the credit risk is not high.

The Group is also exposed to credit risk in relation to debt instruments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

Impairment allowance policies for trade and bills receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables and contract assets.

To measure the expected credit losses, trade and bills receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and bills receivables for the same types of contracts. The Group has therefore concluded that the expected loss rate for trade and bills receivables a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over 12 months before 31 March 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusting to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the relevant industry in which it sells its goods or services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

Impairment allowance policies for trade and bills receivables and contract assets (Continued)

Impairment losses on trade and bills receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Expected loss rate of trade and bills receivables and contract assets is assessed to be low. As at 31 March 2021, the amount of loss allowance provision for trade and bills receivables and contract assets was not material, as counterparties are expected to be capable of meeting their contractual cash flows obligation in the near term.

Impairment allowance policies for other financial assets at amortised cost

The other financial assets, which mainly comprise deposits and other receivables, due from non-controlling equity holders of subsidiaries and due from associates.

Expected loss rate of other financial assets at amortised cost is assessed to be low. As at 31 March 2021, the amount of loss allowance provision for other financial assets at amortised cost was not material, as counterparties are expected to be capable of meeting their contractual cash flows obligation in the near term.

(b) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The PRC subsidiaries of the Group's exposure to currency exchange rate is minimal as majority of the subsidiaries of the Group operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB"), which are same as their functional currency.

Further, the Group has cash and cash equivalents and bank borrowings denominated in US$. Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

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 and assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk mainly arises from bank deposits and borrowings which bore floating interests. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points at the end of the year and all other variables were held constant, the Group's profit after income tax and equity would decrease/increase by approximately HK$140,125,000 (2020: HK$107,851,000) respectively.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rate over the next twelve month period.

(d) Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

Financial assets at FVPL and financial assets at FVOCI expose the Group to price risk.

The Group's investments in listed equity securities are primarily listed on the stock exchanges of Hong Kong.

Sensitivity analysis

If the price of FVPL had been increased/decreased by 10% at the end of the year and all other variables ware held constant, the Group's profit after income tax and equity would increase/decrease by approximately HK$103,510,000 (2020: HK$29,214,000) respectively.

If the price of FVOCI had been increased/decreased by 10% at the end of the year and all other variables were held constant, the Group's equity would increase/decrease by approximately HK$37,625,000 (2020: HK$35,829,000) respectively.

The assumed changes in fair value are considered to be reasonably possible based on observation of current market conditions and represent management's assessment of a reasonably possible change in fair value over the next twelve month period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and meet its short-term and long-term funding requirements. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

The maturity profile of the Group's financial liabilities as at the reporting dates, based on the contracted undiscounted payments, was as follows:

	On demand HK$'000	Less than three months HK$'000	Three to twelve months HK$'000	Over one year HK$'000	Total HK$'000
At 31 March 2021					
Lease liabilities	–	13,016	35,300	463,699	512,015
Trade and bills payables	1,460,311	954,932	1,344,487	–	3,759,730
Accrued liabilities and other payables	1,112,762	649,153	312,870	–	2,074,785
Due to associates	7,805	54,617	2,350	–	64,772
Borrowings	70,809	617,421	4,772,297	16,741,425	22,201,952
Due to non-controlling equity holders of subsidiaries	153,043	2,071	52,960	395,116	603,190
	2,804,730	2,291,210	6,520,264	17,600,240	29,216,444

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

	On demand HK$'000	Less than three months HK$'000	Three to twelve months HK$'000	Over one year HK$'000	Total HK$'000
At 31 March 2020					
Lease liabilities	–	5,976	28,964	494,415	529,355
Trade and bills payables	1,257,948	616,242	1,232,518	–	3,106,708
Accrued liabilities and other payables	1,312,368	664,797	459,771	–	2,436,936
Due to associates	27,709	19,581	74,515	–	121,805
Borrowings	124,563	761,304	3,350,907	16,335,549	20,572,323
Due to non-controlling equity holders of subsidiaries	95,960	511	67,171	424,641	588,283
	2,818,548	2,068,411	5,213,846	17,254,605	27,355,410

For term loans which contain a repayment on demand clause that can be exercised at the bank's sole discretion, the analysis above shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

Taking into account the Group's financial position, the directors of the Company do not consider it probable that the bank will exercise its discretion to demand repayment earlier than the scheduled payment dates. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements.

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For the year ended 31 March 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Fair value measurements

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, contract assets, receivables under service concession arrangements, deposits and other receivables, amounts due from/(to) associates and non-controlling equity holders of subsidiaries, pledged deposits, cash and cash equivalents, trade and bills payables, lease liabilities, contract liabilities, other payables, accrued liabilities and borrowings. The directors consider the carrying amounts of the balances approximate their fair values.

(ii) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

Fair value hierarchy

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).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Fair value measurements (Continued)

(ii) Financial instruments measured at fair value (Continued)

Fair value hierarchy (Continued)

At 31 March 2021, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through other comprehensive income	**7,144**	**–**	**369,101**	**376,245**
Financial assets at fair value through profit or loss	**–**	**–**	**1,035,098**	**1,035,098**
	7,144	**–**	**1,404,199**	**1,411,343**

At 31 March 2020, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through other comprehensive income	8,799	–	349,486	358,285
Financial assets at fair value through profit or loss	–	–	292,135	292,135
	8,799	–	641,621	650,420

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 year.

Information about Level 3 fair value measurement

Financial assets at FVOCI mainly comprise unlisted equity securities which were valued by the Group or APAC Appraisal and Consulting Limited, an independent firm of professional valuer, using market approach to determine the fair value.

Financial assets at FVPL comprise equity investments for unlisted exchangeable bonds and wealth management products and structured deposits issued by various licensed banks in the PRC. The unlisted exchangeable bonds were valued by APAC Appraisal and Consulting Limited, an independent firm of professional valuer, using option pricing model to determine the fair value. As for wealth management products and structured deposits issued by various licensed banks in the PRC, the Group used income approach of discounted cash flows to determine the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Fair value measurements (Continued)

(ii) Financial instruments measured at fair value (Continued)

Information about Level 3 fair value measurement (Continued)

The following table shows the significant unobservable inputs used in the valuation model.

Financial instruments	2021 HK$'000	2020 HK$'000	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted exchangeable bonds	**237,450**	–	Option pricing model	Volatility	36.33% (2020: Nil)	The higher of volatility, the lower of fair value
Unlisted equity securities	**369,101**	349,486	Market approach	Enterprise value to sales multiple	1.5 to 6.4 times (2020: 0.7 to 8.8 times)	The higher of sales multiple, the higher of fair value
Wealth management products and structured deposits issued by various licensed banks	**797,648**	292,135	Income approach	Expected return rate	1.3% to 5.4% (2020: 3.0% to 3.5%)	The higher of expected return rate, the higher of fair value

The movements of Level 3 instruments during the year are as follows:

	2021 HK$'000	2020 HK$'000
Financial assets at fair value through other comprehensive income:		
At beginning of the financial year	**349,486**	335,524
Changes in fair value recognised in other comprehensive income	**2,353**	7,866
Acquisition of subsidiaries	**–**	56
Additions	**816**	21,120
Exchange realignment	**16,446**	(15,080)
At end of the financial year	**369,101**	349,486
Financial assets at fair value through profit or loss:		
At beginning of the financial year	**292,135**	488,648
Net purchase/(disposal) and changes in fair value of financial assets at fair value through profit or loss	**742,963**	(196,513)
At end of the financial year	**1,035,098**	292,135

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.3 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

Financial assets

	2021 HK$'000	2020 HK$'000
At amortised cost		
– Trade and bills receivables	**1,071,490**	1,324,787
– Contract assets	**1,528,889**	966,538
– Receivables under service concession agreements	**1,152,259**	1,093,931
– Other receivables	**1,972,344**	1,831,368
– Due from associates	**175,912**	13,411
– Due from non-controlling equity holders of subsidiaries	**268,488**	211,072
	6,169,382	5,441,107
– Cash and cash equivalents and pledged deposits	**4,416,335**	6,603,900
	10,585,717	12,045,007
At fair value		
– Financial assets at fair value through other comprehensive income	**376,245**	358,285
– Financial assets at fair value through profit or loss	**1,035,098**	292,135
	11,997,060	12,695,427

Financial liabilities

	2021 HK$'000	2020 HK$'000
At amortised cost		
– Lease liabilities	**359,579**	366,345
– Contract liabilities	**1,409,399**	1,182,610
– Trade and bills payables	**3,759,730**	3,106,708
– Accrued liabilities and other payables	**2,074,785**	2,436,936
– Due to associates	**64,772**	121,805
– Borrowings	**18,428,873**	17,389,017
– Due to non-controlling equity holders of subsidiaries	**600,213**	576,621
	26,697,351	25,180,042

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.4 Capital management

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and owners' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

No changes were made in the objectives, policies or processes during the current and previous years. The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or raise new debts, or sell assets to reduce debt.

The capital-to-overall financing ratio at the reporting date was as follows:

	2021 **HK$'000**	2020 HK$'000
Capital		
Total equity	**16,950,028**	14,098,503
Overall financing		
Borrowings	**18,428,873**	17,389,017
Due to associates	**64,772**	121,805
Due to non-controlling equity holders of subsidiaries	**600,213**	576,621
	19,093,858	18,087,443
Capital-to-overall financing ratio	**0.89 times**	0.78 times

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Depreciation and amortisation

The Group depreciates the property, plant and equipment and the right-of-use assets, and amortises the intangible assets (other than goodwill) in accordance with the accounting policies stated in notes 2.6, 2.19 and 2.9 to the consolidated financial statements respectively. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

(ii) Allowance for and written off of irrecoverable receivables

The Group records impairment of trade receivables based on an assessment made by management on the ECL of trade and other receivables. The evaluations focused on the counterparties' settlement history, current ability to pay, forecasts future economic conditions, and took into account information specific to the counterparties as well as pertaining to the economic environment in which the counterparties operated. Provisions are made where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgement and estimates. The Group would revisit and evaluate those assumptions related with ECL model periodically.

(iii) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8 to the consolidated financial statements. The recoverable amounts of CGUs or group of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates. Management estimates the expected future cash flows from the CGUs or group of CGUs and determines a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Impairment of non-financial assets (other than goodwill) and investment in associates

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than goodwill) and investment in associates at each reporting date. These assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows.

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For the year ended 31 March 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Fair value measurement

A number of assets and liabilities of the Group require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy").

The classification of an item is based on the lowest level of the input used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

– investment properties (note 17);

– financial assets at fair value through other comprehensive income (note 19); and

– financial assets at fair value through profit or loss (note 29).

There is significant estimation in relation to the valuation of the items above. Detailed information in relation to the fair value measurement of the financial assets at FVPL and financial assets at FVOCI is set out in note 3.2 to the consolidated financial statements. The fair value measurement of the investment properties is set out in note 17 to the consolidated financial statements.

(vi) Construction contracts

As stated in note 2.15 to the consolidated financial statements, revenue and profit recognition on an uncompleted project (including the Group's Build-Operate-Transfer (the "BOT arrangements")) are dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. However, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts record to date.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vii) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(viii) Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to their understanding on the tax rules.

(ix) Service concession arrangements

The Group uses judgement to assess whether an agreement and the relevant assets fall into the scope of HK(IFRIC) – Int 12 in particular whether the Group or the grantors control the residual interest in the infrastructure at the end of service concession period. As explained in note 2.15 to the consolidated financial statements, the Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public-to-private concession arrangement. However, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future income generated from these infrastructure over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Group's management based on their experience and assessment on current and future market condition.

The fair value of the construction and upgrade services under the service concession arrangements is calculated as the estimated total construction cost plus a profit margin. The profit margins are assessed by the Group, based on prevailing market rate applicable to similar construction services rendered. Revenue and costs relating to construction or upgrade services are accounted for in accordance with the accounting policy in note 2.15 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

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5 SERVICE CONCESSION ARRANGEMENTS

The Group entered into a number of service concession arrangements with certain government authorities in the PRC on a BOT or Transfer-Operate-Transfer (the "TOT") basis in respect of its water supply and sewage treatment businesses. These service concession arrangements generally involve the Group as an operator (i) constructing water supply and sewage treatment infrastructures for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; and (iii) operating and maintaining the water supply and sewage treatment infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 10 to 55 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant Service Concession Periods at prices stipulated through a pricing mechanism.

The Group is generally entitled to use all of the property, plant and equipment of the water supply and sewage treatment infrastructures, however, the relevant governmental authorities as grantors will control and regulate the scope of services the Group must provide with the water supply and sewage treatment infrastructures, and retain the beneficial entitlement to any residual interest in the water supply and sewage treatment infrastructures at the end of the term of the Service Concession Periods.

Each of these service concession arrangements is governed by a contract and, where applicable, supplemental agreements entered into between the Group and the relevant governmental authorities in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the water supply and sewage treatment infrastructures to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

As at 31 March 2021, the Group had over eighty service concession arrangements on water supply and sewage treatment businesses in the PRC and a summary of the major terms of these service concession arrangements are set out as follows:

Nature of business	Location	Type of service concession arrangement	Practical processing capacity per day (m^3)	Service concession period
Water supply	PRC	TOT/BOT	3,000 – 700,000	1998 – 2065
Sewage treatment	PRC	TOT/BOT	10,000 – 120,000	2006 – 2047

During the year, the Group recognised water supply construction service income of HK$3,634,026,000 (2020: HK$3,079,651,000), sewage treatment construction service income of HK$330,239,000 (2020: HK$208,313,000) and finance income of HK$43,564,000 (2020: HK$45,972,000) as revenue under the line item "revenue and other income" from service concession arrangements.

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6 REVENUE AND OTHER INCOME

The Group's principal activities are disclosed in notes 1 and 47 to these consolidated financial statements.

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

	Notes	2021 HK$'000	2020 HK$'000
Revenue:			
Water supply operation services		**2,820,858**	2,403,111
Water supply connection income		**1,912,686**	1,618,953
Water supply construction services		**3,685,793**	3,081,211
Sewage treatment and drainage operation services		**329,117**	334,231
Sewage treatment and water environmental renovation construction services		**747,140**	613,719
Sales of properties		**296,104**	200,229
Sales of goods		**96,695**	33,682
Hotel and rental income	(i)	**95,561**	91,488
Finance income		**43,564**	45,972
Handling income		**37,904**	32,323
Others	(ii)	**280,111**	239,384
Total		**10,345,533**	8,694,303

		2021 HK$'000	2020 HK$'000
Other income:			
Interest income		**159,490**	119,337
Government grants and subsidies	(iii)	**140,974**	181,617
Amortisation of deferred government grants (note 36)		**9,624**	9,176
Gain on disposal of property, plant and equipment, net		**–**	7,532
Dividend income from financial assets (note 19(ii))		**9,648**	13,566
Miscellaneous income		**56,890**	39,335
Total		**376,626**	370,563

Notes:

(i) Hotel and rental income comprised lease income from operating leases of HK$39,733,000 (2020: HK$34,872,000).

(ii) Other revenue comprised revenue recognised at a point in time of HK$192,307,000 (2020: HK$177,774,000) and recognised over time of HK$87,804,000 (2020: HK$61,610,000).

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

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For the year ended 31 March 2021

7 SEGMENT INFORMATION

The executive directors have identified the Group's three product and service lines as reportable segments as further described in note 2.4 to the consolidated financial statements.

These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

For the year ended 31 March 2021

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

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For the year ended 31 March 2021

7 SEGMENT INFORMATION (Continued)
For the year ended 31 March 2021 (Continued)

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

7 SEGMENT INFORMATION (Continued)
For the year ended 31 March 2020

	City water supply operation and construction HK$'000	Environmental protection HK$'000	Property development and investment HK$'000	All other segments HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue						
From external customers	7,224,212	1,073,940	237,181	158,970	–	8,694,303
From inter-segment	–	–	–	–	–	–
Segment revenue	7,224,212	1,073,940	237,181	158,970	–	8,694,303
Segment profit	2,956,077	276,277	42,091	8,604	–	3,283,049
Unallocated corporate income						133,903
Unallocated corporate expense						(235,495)
Loss on disposal of subsidiaries, net						(348)
Finance costs						(429,215)
Share of results of associates	67,144	340,306	4,870	295	–	412,615
Profit before income tax						3,164,509
Income tax expense						(657,220)
Profit for the year						2,507,289
Other segment information						
Additions of investment properties	–	–	167,126	–	–	167,126
Additions to other non-current segment assets	3,410,755	62,491	2,309	152,604	–	3,628,159
Amortisation of deferred government grants	6,699	2,477	–	–	–	9,176
Amortisation of capitalised expenses	(46,079)	–	–	–	–	(46,079)
Amortisation of other intangible assets	(468,428)	(6,103)	–	(4,614)	–	(479,145)
Depreciation of property, plant and equipment and right-of-use assets	(64,460)	(20,578)	(9,425)	(46,167)	–	(140,630)
Property, plant and equipment written off	(394)	(157)	–	–	–	(551)
Gain/(loss) on disposal of property, plant and equipment	7,440	(121)	98	115	–	7,532
Bad debts written off	(1,427)	–	–	–	–	(1,427)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

7 SEGMENT INFORMATION (Continued)

For the year ended 31 March 2020 (Continued)

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

For the years ended 31 March 2021 and 2020, the Group did not depend on any single customers under each of the segments.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

8 OPERATING PROFIT

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

	2021 HK$'000	2020 HK$'000
Cost of sales (note)	**6,006,949**	4,935,818
Depreciation of property, plant and equipment	**82,920**	73,155
Depreciation of right-of-use assets	**68,366**	67,475
Amortisation of other intangible assets	**578,448**	479,145
Amortisation of capitalised expenses	**50,589**	46,079
Operating leases in respect of		
– leasehold land and buildings	**5,536**	3,581
– other property, plant and equipment	**4,153**	3,206
Auditors' remuneration		
– Audit services	**8,780**	8,830
– Non-audit services	**200**	310
Staff costs (including directors' emoluments – note 13(a)):		
Salaries and wages	**941,365**	801,213
Pension scheme contribution	**112,885**	129,682
	1,054,250	930,895
Loss/(gain) on disposal of property, plant and equipment, net	**299**	(7,532)
Property, plant and equipment written off	**1,189**	551
Bad debts written off	**1,825**	1,427
Net foreign exchange loss	**11,156**	19,308

Note: Staff costs of HK$461,807,000 (2020: HK$414,005,000) have been included in cost of sales in the consolidated income statement.

9 FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank loans	**612,188**	590,991
Interest on other loans	**194,883**	168,164
Interest on lease liabilities	**18,751**	19,058
Total borrowing costs	**825,822**	778,213
Less: interest capitalised included in property, plant and equipment, other intangible assets and properties under development (note)	**(455,245)**	(348,998)
	370,577	429,215

Note: The borrowing costs have been capitalised at rates ranging from 1.70% to 7.11% for the year ended 31 March 2021 (2020: 2.05% to 7.50%).

10 INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	Note	2021 HK$'000	2020 HK$'000
Current income tax:			
– the PRC	(b)	**760,919**	569,223
Deferred tax (note 37)		**106,628**	87,997
Total income tax expense		**867,547**	657,220

(a) The Company was originally incorporated in the Cayman Islands and re-domiciled in Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and, accordingly, is exempted from payment of the Bermuda income tax.

(b) The provision for PRC current income tax is based on a statutory income tax rate of 25% (2020: 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% (2020: 5% to 15%) of their assessable income.

(c) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding income tax at a tax rate of 5% or 10%.

The tax on the Group's profit before tax differs from theoretical amount that would arise using tax rate of the Company as follows:

	2021 HK$'000	2020 HK$'000
Profit before income tax	**3,529,621**	3,164,509
Less: Share of results of associates	**(213,143)**	(412,615)
	3,316,478	2,751,894
Tax calculated at Hong Kong profits tax rate of 16.5% (2020: 16.5%)	**547,219**	454,063
Effect of different tax rates of subsidiaries operating in other jurisdictions	**310,296**	355,792
Tax effect of non-taxable items	**(32,593)**	(110,049)
Tax effect of non-deductible items	**157,610**	110,052
Tax concession	**(121,512)**	(156,537)
Others	**6,527**	3,899
Income tax expense	**867,547**	657,220

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

11 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$1,692,464,000 (2020: HK$1,639,495,000) and the weighted average of 1,592,090,000 (2020: 1,605,481,000) ordinary shares in issue during the year.

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

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

12 DIVIDENDS

(a) Dividends attributable to the year

	2021 **HK$'000**	2020 HK$'000
Interim dividend of HK$0.15 (2020: HK$0.14) per ordinary share	**237,735**	224,564
Proposed final dividend of HK$0.16 (2020: HK$0.16) per ordinary share	**253,584**	256,645
	491,319	481,209

The final dividends proposed after the reporting date for the year ended 31 March 2021 and 2020 were not recognised as a liability at the reporting date. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2021 **HK$'000**	2020 HK$'000
Final dividend in respect of the previous financial year of HK$0.16 (2020: HK$0.16) per ordinary share	**256,645**	257,424
Adjustment to the final dividend (note)	**(2,267)**	(779)
	254,378	256,645

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

(c) Dividends recognised as distributions during the year ended 31 March 2021 amounted to HK$492,113,000 (2020: HK$481,209,000) or HK$0.31 (2020: HK$0.30) per ordinary share.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

13 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 March 2021:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors							
Mr. Duan Chuan Liang	–	10,000	12,000	–	18	15	22,033
Ms. Ding Bin	–	480	1,000	–	18	504	2,002
Ms. Liu Yu Jie	–	2,400	2,000	–	18	–	4,418
Mr. Li Zhong	–	1,289	1,400	–	18	1,301	4,008
Mr. Duan Jerry Linnan	–	240	750	–	18	960	1,968
Non-executive directors							
Mr. Zhao Hai Hu	–	120	–	–	–	599	719
Mr. Zhou Wen Zhi	–	120	–	–	–	–	120
Mr. Makoto Inoue	–	60	–	–	–	–	60
Ms. Wang Xiaoqin	–	1,200	1,100	–	18	745	3,063
Independent non-executive directors							
Mr. Chau Kam Wing	348	–	–	–	–	–	348
Mr. Siu Chi Ming	300	–	–	–	–	–	300
Ms. Ho Ping	300	–	–	–	–	–	300
Ms. Zhou Nan	300	–	–	–	–	–	300
Mr. Chan Wai Cheung Admiral	300	–	–	–	–	–	300
Total	1,548	15,909	18,250	–	108	4,124	39,939

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

13 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 March 2020:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors							
Mr. Duan Chuan Liang	–	10,000	12,000	–	18	18	22,036
Ms. Ding Bin	–	480	1,000	–	18	600	2,098
Ms. Liu Yu Jie	–	2,400	2,000	–	18	–	4,418
Mr. Li Zhong	–	1,289	1,400	–	18	1,185	3,892
Mr. Duan Jerry Linnan (appointed with effect from 15 October 2019)	–	110	–	–	8	440	558
Non-executive directors							
Mr. Zhao Hai Hu	–	120	–	–	–	543	663
Mr. Zhou Wen Zhi	–	120	–	–	–	–	120
Mr. Makoto Inoue	–	60	–	–	–	–	60
Ms. Wang Xiaoqin	–	1,180	1,000	–	18	778	2,976
Independent non-executive directors							
Mr. Chau Kam Wing	348	–	–	–	–	–	348
Mr. Siu Chi Ming	300	–	–	–	–	–	300
Ms. Ho Ping	159	–	–	–	–	–	159
Ms. Zhou Nan (appointed with effect from 22 November 2019)	108	–	–	–	–	–	108
Mr. Chan Wai Cheung Admiral (appointed with effect from 15 January 2020)	64	–	–	–	–	–	64
Mr. Ong King Keung (resigned with effect from 22 November 2019)	193	–	–	–	–	–	193
Total	1,172	15,759	17,400	–	98	3,564	37,993

Notes to the Consolidated Financial Statements

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13 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(b) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2020: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2020: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: Nil).

(e) Directors' material interests in transactions, arrangements and contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The five highest paid individuals in the Group during the year included four directors (2020: four directors), details of whose emoluments have been disclosed in note 13(a) to the consolidated financial statements above. The emoluments paid to the remaining individual during the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and other benefits	**2,847**	2,823
Retirement scheme contribution	**81**	92
	2,928	2,915

The emoluments fell within the following bands

	2021	2020
HK$2,500,001 to HK$3,000,000	**1**	1

During the years ended 31 March 2021 and 2020, no emoluments were paid by the Group to the directors and five highest paid employees of the Group as an inducement to join the Group or upon joining the Group or as compensation for loss of office. No directors waived emoluments in respect of the years ended 31 March 2021 and 2020.

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15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2019						
Cost	722,188	45,464	374,258	245,035	1,009,091	2,396,036
Accumulated depreciation	(72,385)	(28,044)	(102,693)	(173,014)	–	(376,136)
Net carrying amount	649,803	17,420	271,565	72,021	1,009,091	2,019,900
Year ended 31 March 2020						
Opening net carrying amount	649,803	17,420	271,565	72,021	1,009,091	2,019,900
Additions	1,352	–	10,561	33,430	213,346	258,689
Acquisition of subsidiaries	6,428	–	109,177	980	35	116,620
Disposals	(10)	–	–	(587)	–	(597)
Disposal of a subsidiary	–	–	–	–	(393)	(393)
Written off	(23)	–	–	(528)	–	(551)
Transfers	117,052	–	10,279	–	(127,331)	–
Depreciation	(23,864)	(79)	(26,297)	(22,915)	–	(73,155)
Capital injection	–	–	–	2,520	–	2,520
Exchange realignment	(34,215)	(897)	(14,732)	(3,802)	(45,187)	(98,833)
Closing net carrying amount	716,523	16,444	360,553	81,119	1,049,561	2,224,200
At 31 March 2020						
Cost	809,456	43,306	483,865	263,212	1,049,561	2,649,400
Accumulated depreciation	(92,933)	(26,862)	(123,312)	(182,093)	–	(425,200)
Net carrying amount	716,523	16,444	360,553	81,119	1,049,561	2,224,200
Year ended 31 March 2021						
Opening net carrying amount	**716,523**	**16,444**	**360,553**	**81,119**	**1,049,561**	**2,224,200**
Additions	**8,551**	**–**	**27,414**	**43,986**	**485,071**	**565,022**
Acquisition of subsidiaries	**10,873**	**–**	**5,155**	**1,565**	**280**	**17,873**
Disposals	**(6,332)**	**–**	**(3,678)**	**(920)**	**–**	**(10,930)**
Disposal of subsidiaries	**(2,329)**	**–**	**(4,712)**	**(286)**	**(7,855)**	**(15,182)**
Written off	**–**	**–**	**(171)**	**(1,018)**	**–**	**(1,189)**
Transfers	**985,160**	**–**	**226,973**	**162**	**(1,212,295)**	**–**
Transfer from properties held for sale (note 25)	**51,326**	**–**	**–**	**–**	**–**	**51,326**
Depreciation	**(28,160)**	**–**	**(28,276)**	**(26,484)**	**–**	**(82,920)**
Exchange realignment	**43,668**	**746**	**16,987**	**3,818**	**49,218**	**114,437**
Closing net carrying amount	**1,779,280**	**17,190**	**600,245**	**101,942**	**363,980**	**2,862,637**
At 31 March 2021						
Cost	**1,901,293**	**45,316**	**750,297**	**306,241**	**363,980**	**3,367,127**
Accumulated depreciation	**(122,013)**	**(28,126)**	**(150,052)**	**(204,299)**	**–**	**(504,490)**
Net carrying amount	**1,779,280**	**17,190**	**600,245**	**101,942**	**363,980**	**2,862,637**

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15 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 March 2021, the property, plant and equipment with a net carrying amount of HK$100,021,000 (2020: HK$92,164,000) were pledged to secure banking facilities granted to the Group (note 34(i)(d)).

Depreciation charge for the year ended 31 March 2021 amounted to HK$54,676,000 (2020: HK$48,585,000) has been included in cost of sales in the consolidated income statement.

16 RIGHT-OF-USE ASSETS

	2021 HK$'000	2020 HK$'000
Leasehold land and land use right	**1,109,571**	1,098,313
Buildings	**182,833**	199,517
	1,292,404	1,297,830

As at 31 March 2021, it was included in the leasehold land and land use right with a net carrying amount of HK$62,526,000 (2020: HK$99,502,000) for which the Group is still in the process of obtaining the land use rights certificates. In the opinion of the directors of the Company, the Group has obtained the rights to use these land. As confirmed by the Group's legal advisors in previous year and based on the Group's assessment for the year ended 31 March 2021, there is no legal impediment for the Group to obtain these land use rights certificates.

As at 31 March 2021, the leasehold land and land use right with a net carrying amount of HK$328,765,000 (2020: HK$177,438,000) were pledged to secure banking facilities granted to the Group (note 34(i)(e)).

The Group leases various leasehold land, properties and plant and machinery. Rental contracts are typically made for fixed periods ranging from one year to twenty years in average.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Additions to the leasehold land and land use right during the year ended 31 March 2021 were HK$13,442,000 (2020: HK$256,706,000).

During the year ended 31 March 2021, total cash outflow for leases of HK$33,199,000 (2020: HK$35,097,000) was included in net cash generated from financing activities.

16 RIGHT-OF-USE ASSETS (Continued)

Depreciation charge for the year ended 31 March 2021 amounted to HK$33,806,000 (2020: HK$33,063,000) has been included in cost of sales in the consolidated income statement.

The expense relating to short-term leases or leases with low-value assets amounted to HK$9,689,000 (2020: HK$6,787,000) have been included in the consolidated income statement.

17 INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
At fair value		
Opening net carrying amount	**1,031,042**	912,335
Additions	**124,025**	167,126
Disposal	**(7,765)**	(7,416)
Exchange realignment	**48,519**	(41,003)
Closing net carrying amount	**1,195,821**	1,031,042

As at 31 March 2021, the investment properties with a carrying amount of HK$1,087,026,000 (2020: HK$301,011,000) were pledged to secure banking facilities granted to the Group (note 34(i)(f)).

Investment properties were revalued on 31 March 2021 by RHL Appraisal Limited, independent firm of professional valuer or by the Group.

Residential properties and leasehold land located in the PRC are held within a business model that the Group sells the properties on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the value. Valuations were based on market evidence of recent transaction prices for similar properties and adjusted for the differences.

Industrial properties under development located in the PRC are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use.

The fair value of investment properties is a level 3 recurring fair value measurement.

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17 INVESTMENT PROPERTIES (Continued)

Fair value is determined by applying the direct comparison approach by making reference to the comparable sales transactions as available in the markets, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties.

The following table shows the significant unobservable inputs used in the valuation model.

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial property under development located in the PRC	Level 3	2021: Residual method	Remaining percentage to completion	23%	The higher of remaining percentage to completion, the lower of fair value
		2020: Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK$9,392 to HK$9,912	The higher of market price, the higher of fair value
Residential properties located in the PRC	Level 3	Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK$75,324 to HK$84,151 (2020: HK$72,452 to HK$74,645)	The higher of market price, the higher of fair value
Leasehold land located in the PRC	Level 3	Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK$515 to HK$674 (2020: HK$433 to HK$758)	The higher of market price, the higher of fair value

There were no changes to the valuation techniques adopted during the year as compared to prior year, except for an industrial property under development located in the PRC where there was a change of valuation technique from direct comparison approach to residual method to reflect the higher and best use of the property (2020: no change).

For minimum lease payments receivables on leases of investment properties, refer to note 43(b) to the consolidated financial statements.

18 INVESTMENT IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Share of net assets	**2,339,991**	2,058,312
Goodwill	**177,576**	169,500
	2,517,567	2,227,812

All the balances for amounts due from/(to) associates were unsecured, interest-free and repayable on demand as at 31 March 2021 and 2020 except for the amounts due to associates with carrying amount of HK$20,000,000 (2020: HK$21,427,000) which bore interest rate at 5.0% (2020: ranged from 5.0% to 8.0%) per annum and repayable within one year (2020: repayable within one year).

As at 31 March 2021, the Group owned 28.46% (2020: 29.52%) equity interest of Kangda International Environmental Company Limited ("Kangda International"). The shares of Kangda International are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (stock code: 6136) and it was accounted for as an associate of the Group. As at 31 March 2021, the market price per share of Kangda International was HK$0.69 (2020: HK$0.74). In the opinion of the directors, Kangda International is considered the principal associate of the Group.

During the year ended 31 March 2021, certain share options of Kangda International were exercised and Kangda International has issued 107,350,000 ordinary shares of Kangda International accordingly. The diluted shareholding was considered as deemed disposal. The Group has incurred a loss of HK$39,702,000 from the deemed disposal. Apart from the diluted shareholding, there were no material changes on the investment in Kangda International.

The financial year end date for Kangda International is 31 December. For the purpose of applying the equity method of accounting, the consolidated financial statements of Kangda International for the years ended 31 December 2020 and 2019 have been used. There were no material transactions carried out by Kangda International from 1 January 2021 to 31 March 2021.

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For the year ended 31 March 2021

18 INVESTMENT IN ASSOCIATES (Continued)

Summary of financial information for Kangda International and its subsidiaries

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Summary of consolidated statement of financial position:		
Current assets	**5,734,068**	5,608,333
Non-current assets	**15,025,732**	13,154,016
Current liabilities	**(5,388,396)**	(7,058,568)
Non-current liabilities	**(9,349,994)**	(6,541,813)
	6,021,410	5,161,968
Less: Non-controlling interests of Kangda International's subsidiaries	**(234,668)**	(223,652)
Closing net assets	**5,786,742**	4,938,316
Group's share in %	**28.46%**	29.52%
Reconciliation to carrying amount:		
Purchase consideration – settled by cash	**–**	1,200,000
Gain on bargain purchase	**–**	214,776
Fair value of net identified assets acquired	**–**	1,414,776
Opening carrying values as 1 April	**1,457,791**	–
Share of profit for the year/period	**160,339**	108,415
Share of other comprehensive loss for the year/period	**(7,115)**	(1,814)
Share of other reserves	**(105)**	–
Additions	**7,097**	–
Loss on deemed disposal	**(39,702)**	–
Exchange realignment	**68,602**	(63,586)
Closing carrying values as 31 March	**1,646,907**	1,457,791

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18 INVESTMENT IN ASSOCIATES (Continued)

Summary of financial information for Kangda International and its subsidiaries (Continued)

	For the year ended 31 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Year ended 31 December		
Summary of consolidated statement of profit or loss and other comprehensive income:		
Revenue	**3,920,508**	2,478,643
Net profit for the year/period	**553,515**	367,260
Other comprehensive loss for the year/period	**(25,000)**	(6,145)
Total comprehensive income for the year/period	**528,515**	361,115

The aggregated amounts of the following financial information of the Group's associates, which are individually immaterial, attributable to the Group using equity method is summarised as follows:

	2021 HK$'000	2020 HK$'000
Carrying values	**870,660**	770,021
Profit before income tax	**92,326**	89,424
Other comprehensive income	**–**	–
Total comprehensive income	**92,326**	89,424

The Group has not incurred any contingent liabilities relating to its investments in the associates.

As at 31 March 2021 and 2020, the Group has other commitments relating to its investments in the associate as set out in note 43(c) to the consolidated financial statements.

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19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Original currency	2021 HK$'000	2020 HK$'000
Listed equity securities in Hong Kong	HK$	7,144	8,799
Unlisted equity securities outside Hong Kong	RMB	369,101	349,486
		376,245	358,285

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

During the year, the following (loss)/gain was recognised in consolidated income statement and other comprehensive income.

	2021 HK$'000	2020 HK$'000
Change in fair value of financial assets at fair value through other comprehensive income	(44,042)	2,964
Dividend income from financial assets (note 6)	9,648	13,566

(iii) Non-current assets pledged as security

As at 31 March 2021, the financial assets at fair value through other comprehensive income with carrying amount of HK$245,882,000 (2020: HK$232,584,000) were pledged to secure banking facilities granted to the Group (note 34(i)(j)).

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20 GOODWILL

The amount of goodwill arising from business combinations is as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 April		
Gross carrying amount	**1,320,004**	1,220,394
Accumulated impairment	**–**	–
Net carrying amount	**1,320,004**	1,220,394
Opening net carrying amount	**1,320,004**	1,220,394
Acquisition of subsidiaries (note 41)	**54,057**	131,619
Disposal of subsidiaries	**(3,138)**	–
Exchange realignment	**38,202**	(32,009)
Closing net carrying amount	**1,409,125**	1,320,004
At 31 March		
Gross carrying amount	**1,409,125**	1,320,004
Accumulated impairment	**–**	–
Net carrying amount	**1,409,125**	1,320,004

Goodwill acquired through business combinations have been allocated to the following CGUs/group of CGUs for impairment testing:

– water supply CGUs within city water supply operation and construction segment;

– environmental protection CGUs within environmental protection segment; and

– other CGUs, which include gas sales and other operations.

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20 GOODWILL (Continued)
The carrying amounts of goodwill allocated to each of the CGUs/group of CGUs are as follows:

	Water supply CGUs HK$'000	Environmental protection CGUs HK$'000	Other CGUs HK$'000	Total HK$'000
Carrying amount at 31 March 2021	**975,302**	**224,147**	**209,676**	**1,409,125**
Carrying amount at 31 March 2020	891,441	221,937	206,626	1,320,004

The recoverable amounts are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections of the underlying operation covering the remaining years till the end of their respective service concessions periods.

The key assumptions used for the value-in-use calculations include forecast future business growth, city water and gas tariff, sewage charges, operating costs (including raw water, gas and electricity costs) until the end of the respective service concession period. Pre-tax discount rates of 10% to 13% are adopted on water supply, gas supply and sewage treatment respectively to reflect specific risks relating to the relevant CGUs/group of CGUs. Based on the impairment tests prepared, there is no significant impairment for goodwill as at 31 March 2021.

For sensitivity analysis, had there been a 2% reduction of future business growth rate, a 1% reduction of average city water tariff or sewage charges, a 2% increase in operating costs or a 2% increase in discount rate in the value-in-use calculations each in isolation, no significant impairment loss of goodwill is resulted.

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21 OTHER INTANGIBLE ASSETS

	Concession rights to operate water supply		Concession rights to operate sewage treatment		Other operating rights		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
At beginning of the year								
Cost	**19,903,452**	17,313,474	**212,962**	206,777	**157,640**	120,000	**20,274,054**	17,640,251
Accumulated amortisation	**(2,704,876)**	(2,346,701)	**(6,418)**	(315)	**(4,614)**	–	**(2,715,908)**	(2,347,016)
Net carrying amount	**17,198,576**	14,966,773	**206,544**	206,462	**153,026**	120,000	**17,558,146**	15,293,235
For the year ended								
Opening net carrying amount	**17,198,576**	14,966,773	**206,544**	206,462	**153,026**	120,000	**17,558,146**	15,293,235
Additions	**3,668,729**	3,097,350	**6,442**	15,464	**–**	–	**3,675,171**	3,112,814
Capital injection	**49,898**	52,079	**–**	–	**–**	–	**49,898**	52,079
Acquisition of subsidiaries	**152,251**	249,046	**–**	–	**–**	43,034	**152,251**	292,080
Disposals	**(26,743)**	(28,512)	**–**	–	**–**	–	**(26,743)**	(28,512)
Disposal of a subsidiary	**(2,622)**	–	**–**	–	**–**	–	**(2,622)**	–
Amortisation	**(565,100)**	(468,428)	**(6,396)**	(6,103)	**(6,952)**	(4,614)	**(578,448)**	(479,145)
Exchange realignment	**810,388**	(669,732)	**9,719**	(9,279)	**7,201**	(5,394)	**827,308**	(684,405)
Closing net carrying amount	**21,285,377**	17,198,576	**216,309**	206,544	**153,275**	153,026	**21,654,961**	17,558,146
At 31 March								
Cost	**24,546,479**	19,903,452	**217,175**	212,962	**165,059**	157,640	**24,928,713**	20,274,054
Accumulated amortisation	**(3,261,102)**	(2,704,876)	**(866)**	(6,418)	**(11,784)**	(4,614)	**(3,273,752)**	(2,715,908)
Net carrying amount	**21,285,377**	17,198,576	**216,309**	206,544	**153,275**	153,026	**21,654,961**	17,558,146

As at 31 March 2021, the other intangible assets with a net carrying amount of HK$1,863,229,000 (2020: HK$1,011,983,000) were pledged to secure banking facilities granted to the Group (note 34(i)(g)).

Amortisation of HK$578,448,000 (2020: HK$479,145,000) has been included in cost of sales in the consolidated income statement.

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22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2021 HK$'000	2020 HK$'000
Non-current			
Prepayments and other receivables	(i)	**719,713**	894,863
Current			
Prepayments		**294,702**	257,957
Other receivables	(ii)	**1,584,996**	1,339,393
		1,879,698	1,597,350

Notes:

(i) As at 31 March 2021 and 2020, 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 balances were unsecured, interest-free and repayable on demand as at 31 March 2021 and 2020, except for the receivables of aggregate carrying amount of approximately HK$398,322,000 (2020: HK$358,653,000) which bore interest rates ranged from 5.0% to 8.0% (2020: 5.0% to 8.0%) per annum and were repayable within one year (2020: repayable within one year).

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.

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23 CONTRACT ASSETS

The Group has recognised the following assets related to contracts with customers:

	Notes	31 March 2021 HK$'000	31 March 2020 HK$'000	1 April 2019 HK$'000
Non-current				
Relating to service concession arrangements	(i)	**740,991**	428,096	249,054
Relating to water environmental renovation construction businesses	(ii)	**308,629**	242,449	291,725
		1,049,620	670,545	540,779
Current				
Relating to city water supply and water environmental renovation construction businesses	(ii)	**479,269**	295,993	233,484
		1,528,889	966,538	774,263

Notes:

(i) Contract assets relating to service concession arrangements for sewage treatment construction services is not due from the customer until the construction of new sewage treatment infrastructure or upgrade services are completed. As a result, a contract asset is recognised over the period in which the construction of new sewage treatment infrastructure or upgrade services are performed to represent the entity's right to consideration for the services transferred to date. The carrying amount of approximately HK$740,991,000 (2020: HK$428,096,000) will be reclassified as receivables under service concession arrangements after the construction of new sewage treatment infrastructure or upgrade services has completed.

(ii) Contract assets relating to city water supply and water environmental renovation construction businesses recognised over the period represent the entity's right to consideration for the services transferred to date. The carrying amount of approximately HK$787,898,000 (2020: HK$538,442,000) will be reclassified as trade receivables at the point that the amount is invoiced to the customer.

(iii) The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets from initial recognition. During the year, no provision for impairment loss on contract assets was recognised in consolidated income statement in relation to impaired financial assets. Information about the impairment of contract assets and the Group's exposure to credit risk can be found in note 3.1(a) to the consolidated financial statements.

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24 PROPERTIES UNDER DEVELOPMENT

	2021 HK$'000	2020 HK$'000
At cost		
Opening net carrying amount	**1,505,720**	1,273,890
Additions	**483,345**	417,211
Transfer to properties held for sale (note 25)	**(233,480)**	(128,548)
Exchange realignment	**70,878**	(56,833)
Closing net carrying amount	**1,826,463**	1,505,720

The amount of properties under development are expected to be recovered after more than one year is HK$1,547,326,000 (2020: HK$1,195,819,000). The remaining balance is expected to be recovered within one year.

25 PROPERTIES HELD FOR SALE

	2021 HK$'000	2020 HK$'000
At cost		
Opening net carrying amount	**751,533**	816,189
Additions	**9,497**	150
Transfer from properties under development (note 24)	**233,480**	128,548
Transfer to property, plant and equipment (note 15)	**(51,326)**	–
Sales for the year	**(245,933)**	(156,673)
Exchange realignment	**35,366**	(36,681)
Closing net carrying amount	**732,617**	751,533

As at 31 March 2021, the properties held for sale with carrying amount of approximately HK$79,493,000 (2020: HK$75,920,000) were pledged to secure banking facilities granted to the Group (note 34(i)(h)).

The amount of properties held for sale are expected to be recovered after more than one year is HK$237,903,000 (2020: HK$227,210,000). The remaining balance is expected to be recovered within one year.

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26 INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials and supplies	**329,171**	352,891
Work-in-progress	**554,898**	260,738
Finished goods	**38,256**	16,765
	922,325	630,394

27 TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables (net of provision for impairment)	**1,049,279**	1,298,440
Bills receivables	**22,211**	26,347
	1,071,490	1,324,787

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

	2021 HK$'000	2020 HK$'000
0 to 90 days	**464,895**	773,703
91 to 180 days	**100,234**	120,514
Over 180 days	**506,361**	430,570
	1,071,490	1,324,787

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables from initial recognition. During the year, no provision for impairment loss on trade and bills receivables was recognised in consolidated income statement in relation to impaired financial assets. Information about the impairment of trade and bills receivables and the Group's exposure to credit risk can be found in note 3.1(a) to the consolidated financial statements.

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27 TRADE AND BILLS RECEIVABLES (Continued)

The movement in the provision for impairment during the year is as follows:

	2021 **HK$'000**	2020 HK$'000
Opening carrying amount	**6,092**	6,379
Written off	**(309)**	–
Exchange realignment	**287**	(287)
Closing carrying amount	**6,070**	6,092

To measure the expected credit losses which are included in the balance of provision for impairment, trade receivables have been grouped based on shared credit risk characteristics and due dated of invoices. The expected loss rates are based on the payment profiles of sales over 12 months before 31 March 2021 or 31 March 2020 respectively and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusting to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the relevant industry in which it sells its goods or services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The directors of the Company consider that the fair values of trade and bills receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

28 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group recognised financial assets – receivables under service concession arrangements in respect of its sewage treatment business arising from certain BOT and TOT arrangements. Details of the service concession arrangements of the Group are set out in note 5 to the consolidated financial statements.

Receivables under service concession arrangements represented revenue from construction services under BOT and TOT arrangements and bear interest at rate of 3.96% to 6.62% (2020: 3.96% to 6.62%) per annum. The amounts are not yet due for payment and will be settled by cash receipt to be generated during the operating periods of the BOT and TOT arrangements.

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29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2021 HK$'000	2020 HK$'000
Unlisted exchangeable bonds in Hong Kong	(i)	**237,450**	–
Wealth management products and structured deposits issued by licensed banks	(ii)	**797,648**	292,135
		1,035,098	292,135

Notes:

(i) Fair values of the unlisted exchangeable bonds have been determined by reference to the valuation using option pricing model.

(ii) The balance comprises wealth management products and structured deposits with various licensed banks in the PRC. The Group used income approach of discounted cash flows to determine its fair value. The balance is expected to be recovered within one year, bearing an expected return rate ranging from 1.3% to 5.4% (2020: 3.0% to 3.5%).

30 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 HK$'000	2020 HK$'000
Cash at banks/other financial institutions and in hand	**3,705,924**	4,664,855
Deposits	**710,411**	1,939,045
	4,416,335	6,603,900
Deposits pledged for bank loans (note 34(i)(i))	**–**	(649,550)
Deposits pledged for other loans (note 34(i)(i))	**(136,822)**	(58,102)
Deposits pledged for bills payables (note 32)	**(363,885)**	(255,032)
Other pledged deposits	**(14,410)**	(552)
	(515,117)	(963,236)
Cash and cash equivalents	**3,901,218**	5,640,664

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30 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (Continued)

Cash at banks/other financial institutions earn interest at floating rates based on daily bank deposit rates.

The directors of the Company considered that the fair values of the cash at banks/other financial institutions and deposits are not materially different from their carrying amounts because of the short maturity period on their inception.

As at 31 March 2021, the Group had cash and cash equivalents and pledged deposits denominated in RMB amounting to approximately HK$4,029,852,000 (2020: HK$4,389,279,000), which were deposited with banks/other financial institutions in the PRC or held in hand. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

31 CONTRACT LIABILITIES

The Group has recognised the following liabilities related to contracts with customers:

	31 March 2021 HK$'000	31 March 2020 HK$'000	1 April 2019 HK$'000
Non-current			
Receipt in advance from customers for city water supply construction businesses	**310,135**	276,453	273,133
Current			
Receipt in advance from customers for city water supply operation businesses	**245,401**	199,435	160,537
Receipt in advance from customers for city water supply and water environmental renovation construction businesses	**357,188**	339,295	343,026
Receipt in advance from customers for property development and investment businesses	**496,675**	367,427	144,571
	1,099,264	906,157	648,134

31 CONTRACT LIABILITIES (Continued)

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised for the year ended 31 March 2021 and 2020 relates to carried-forward contract liabilities.

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in the contract liabilities balance at 1 April		
City water supply operation businesses	**71,051**	153,155
City water supply and water environmental renovation construction businesses	**157,855**	222,346
Property development and investment businesses	**214,970**	36,532
	443,876	412,033

(ii) Unsatisfied contracts related to city water supply construction

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 March 2021 and 2020.

	2021 HK$'000	2020 HK$'000
City water supply construction businesses	**338,412**	276,453

All other contracts related to water supply construction are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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32 TRADE AND BILLS PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**3,147,776**	2,728,267
Bills payables	**611,954**	378,441
	3,759,730	3,106,708

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

	2021 HK$'000	2020 HK$'000
0 to 90 days	**1,970,786**	2,148,969
91 to 180 days	**390,548**	459,900
Over 180 days	**1,398,396**	497,839
	3,759,730	3,106,708

As at 31 March 2021, the bills payables of HK$611,954,000 (2020: HK$378,441,000) were secured by the pledged bank deposits of HK$363,885,000 (2020: HK$255,032,000) (note 30).

33 ACCRUED LIABILITIES, DEPOSITS RECEIVED AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Accrued liabilities	**448,369**	433,433
Deposits received	**73,270**	46,028
Other payables (note)	**1,626,416**	2,003,503
	2,148,055	2,482,964

Note: Other payables mainly included water supply and sewage treatment fees and various municipal service charges received on behalf of certain government authorities in the PRC of HK$440,850,000 (2020: HK$527,028,000) and payables for other PRC tax surcharges and construction costs.

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34 BORROWINGS

	Notes	Original currency	2021 HK$'000	2020 HK$'000
Current				
Bank loans – unsecured	(ii)	RMB	**924,504**	893,946
Bank loans – secured	(i), (ii)	RMB	**1,186,642**	1,405,832
Bank loans due for repayment which contain a repayment on demand clause – unsecured	(ii), (v)	USD	**–**	499,000
Bank loans – unsecured	(ii)	USD	**539,067**	1,107,917
Other loans – unsecured	(iii)	RMB	**14,647**	27,472
Other loans – unsecured	(iii)	USD	**2,314,318**	–
Other loans – secured	(i), (iii)	RMB	**98,824**	30,236
Other loans – secured	(i), (iii)	USD	**91,764**	36,706
Government loans – unsecured	(iv)	RMB	**92,081**	89,881
			5,261,847	4,090,990
Non-current				
Bank loans – unsecured	(ii)	RMB	**1,184,561**	1,171,148
Bank loans – secured	(i), (ii)	RMB	**4,312,844**	3,028,301
Bank loans – unsecured	(ii)	USD	**6,083,945**	5,577,418
Bank loans – unsecured	(ii)	HK$	**497,040**	496,206
Other loans – unsecured	(iii)	RMB	**75,874**	309,511
Other loans – unsecured	(iii)	USD	**–**	2,301,428
Other loans – secured	(i), (iii)	RMB	**254,119**	271,848
Other loans – secured	(i), (iii)	USD	**621,760**	–
Government loans – unsecured	(iv)	RMB	**136,883**	142,167
			13,167,026	13,298,027
			18,428,873	17,389,017

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34 BORROWINGS (Continued)

	2021 HK$'000	2020 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,650,213**	3,906,695
In the second year	**3,632,752**	1,184,546
In the third to fifth years, inclusive	**5,891,232**	7,070,269
Beyond five years	**2,554,406**	2,018,258
	14,728,603	14,179,768
Other loans repayable:		
Within one year or on demand	**2,519,553**	94,414
In the second year	**242,933**	2,575,180
In the third to fifth years, inclusive	**454,118**	182,584
Beyond five years	**254,702**	125,023
	3,471,306	2,977,201
Government loans repayable:		
Within one year or on demand	**92,081**	89,881
In the second year	**26,487**	21,169
In the third to fifth years, inclusive	**72,138**	63,500
Beyond five years	**38,258**	57,498
	228,964	232,048

34 BORROWINGS (Continued)

Notes:

(i) The borrowings at 31 March 2021 and 2020 were secured or guaranteed by:

(a) pledge of water and sewage treatment revenue of certain subsidiaries;

(b) charges over shares of certain subsidiaries of the Group;

(c) guarantees by certain non-controlling equity holders of subsidiaries of the Group and government authorities;

(d) charges over property, plant and equipment in which their aggregate carrying amount as at 31 March 2021 was HK$100,021,000 (2020: HK$92,164,000) (note 15);

(e) charges over right-of-use assets in which their aggregate carrying amount as at 31 March 2021 was HK$328,765,000 (2020: HK$177,438,000) (note 16);

(f) charges over investment properties in which their aggregate carrying amount as at 31 March 2021 was HK$1,087,026,000 (2020: HK$301,011,000) (note 17);

(g) charges over other intangible assets in which their aggregate carrying amount as at 31 March 2021 was HK$1,863,229,000 (2020: HK$1,011,983,000) (note 21);

(h) charges over the properties held for sale in which their aggregate carrying amount as at 31 March 2021 was HK$79,493,000 (2020: HK$75,920,000) (note 25);

(i) charges over the bank deposits in amount of HK$136,822,000 as at 31 March 2021 (2020: HK$707,652,000) (note 30); and

(j) charges over the financial assets at fair value through other comprehensive income in which their aggregate carrying amount as at 31 March 2021 was HK$245,882,000 (2020: HK$232,584,000) (note 19(iii)).

(ii) The effective interest rates of the bank loans ranged from 2.05% to 9.20% (2020: 2.78% to 9.00%) per annum at 31 March 2021.

(iii) The effective interest rates of the other loans ranged from 4.78% to 7.00% (2020: 4.78% to 7.50%) per annum at 31 March 2021.

(iv) The effective interest rates of the government loans ranged from 1.20% to 5.00% (2020: 1.20% to 5.00%) per annum at 31 March 2021.

(v) Due to the unconditional right to demand repayment stated in the relevant loan agreement, the current liabilities of the Group as at 31 March 2020 included bank loan of USD64,000,000 (approximately HK$499,000,000) that are not scheduled to repay within one year. It is classified as current liability as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at the fifth anniversary to the related loan agreement any time at its own discretion. The right will expire within twelve months from 31 March 2020 and the loan amount will be reclassified to non-current liabilities in accordance with the scheduled repayment.

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35 DUE FROM/(TO) NON-CONTROLLING EQUITY HOLDERS OF SUBSIDIARIES

All the balances were unsecured, interest-free and repayable on demand except for:

(a) the amount due to a non-controlling equity holder of a subsidiary with carrying amount of HK$24,044,000 (2020: HK$14,808,000) as at 31 March 2021 which bore interest rate at 5.7% (2020: 5.5%) per annum and was repayable within one year; and

(b) the amounts due to non-controlling equity holders of subsidiaries with carrying amount of HK$25,882,000 (2020: HK$96,067,000) as at 31 March 2021 which bore interest rate at 1.2% (2020: ranged from 1.2% to 5.7%) per annum and was repayable over one year.

36 DEFERRED GOVERNMENT GRANTS

	2021 **HK$'000**	2020 HK$'000
Opening carrying amount	**202,213**	225,583
Additions	**41,134**	2,290
Amortisation (note 6)	**(9,624)**	(9,176)
Disposal of a subsidiary	**–**	(6,452)
Exchange realignment	**9,404**	(10,032)
Closing carrying amount	**243,127**	202,213

The deferred government grants mainly related to the Group's acquisition of other intangible assets (note 21).

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For the year ended 31 March 2021

37 DEFERRED TAX LIABILITIES

Deferred tax liabilities are calculated on temporary differences under the liability method using applicable taxation rates of the relevant entities.

The movements in deferred tax liabilities during the year, without taking into accounts for the offsetting of balances within the same tax jurisdiction, are as follows:

	Temporary differences on assets recognised under HK(IFRIC) – Int. 12	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of properties	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2019	476,016	132,404	224,283	50,020	882,723
Charged to profit or loss (note 10)	87,997	–	–	–	87,997
Acquisition of a subsidiary	–	10,758	–	–	10,758
Exchange realignment	(20,654)	(5,951)	(9,202)	(2,248)	(38,055)
At 31 March 2020	543,359	137,211	215,081	47,772	943,423
Charged to profit or loss (note 10)	106,628	–	–	–	106,628
Acquisition of a subsidiary (note 41(a))	–	6,853	–	–	6,853
Disposal of a subsidiary	–	(193)	–	–	(193)
Exchange realignment	24,534	6,650	9,243	2,248	42,675
At 31 March 2021	**674,521**	**150,521**	**224,324**	**50,020**	**1,099,386**

At 31 March 2021, the Group has unused tax losses of HK$244,157,000 (2020: HK$220,773,000) available for offsetting against future taxable profits of the companies which incurred these losses. Deferred tax assets have not been recognised in respect of these tax losses due to the unpredictability of future profit streams. The unused tax losses will expire in 5 years except for those arising from Hong Kong which do not have expiry.

At 31 March 2021, the deferred tax liabilities of HK$137,175,000 (2020: HK$117,076,000) for the aggregate amount of temporary differences associated with undistributed earnings of foreign owned PRC subsidiaries have not been recognised, because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

38 SHARE CAPITAL

	Number of shares '000	Par value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2020 and 2021	20,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2019	1,608,901	16,089
Repurchased and cancelled (note a)	(4,872)	(49)
At 31 March 2020	1,604,029	16,040
Repurchased and cancelled (note b)	(19,126)	(191)
At 31 March 2021	**1,584,903**	**15,849**

Notes:

(a) During the year ended 31 March 2020, the Company repurchased a total of 4,872,000 ordinary shares of the Company at an aggregate cost of approximately HK$34,217,000 (excluding expenses). The highest price paid and the lowest price paid were HK$7.46 and HK$6.08 per share respectively. All repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the contributed surplus. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.

(b) During the year ended 31 March 2021, the Company repurchased a total of 19,126,000 ordinary shares of the Company at an aggregate cost of approximately HK$116,878,000 (excluding expenses). The highest price paid and the lowest price paid were HK$6.81 and HK$5.52 per share respectively. All repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the contributed surplus. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

39 SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 7 September 2012. The purpose of the Scheme is to reward participants who have contributed to the Group and to provide incentives to participants to work towards the success of the Company. Eligible participants of the Scheme include (a) any full-time or part-time employee of any member of the Group or invested entity; (b) any consultant or adviser of any member of the Group or invested entity; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or invested entity; (d) any shareholder of any member of the Group or invested entity; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or invested entity. The Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted.

The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the Scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of passing the resolution for adoption of the Scheme. For the purpose of calculating the above, options lapsed in accordance with the Scheme shall not be counted.

The maximum number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An offer of the grant of an option under the Scheme (the "Option") may be accepted within 28 days from the date of grant together with a remittance of HK$1.00 by way of consideration for the grant thereof. An Option may be exercised during such period as the board of directors may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant.

The exercise price of the Option shall be determined at the discretion of the board of directors which shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares. There is no minimum holding period before an Option is exercisable.

As at 31 March 2021 and 2020, no share option is granted and exercised under the Scheme.

Notes to the Consolidated Financial Statements

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40 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 49 to 50.

The capital redemption reserve of the Group represents the nominal value of the share capital of the Company repurchased and cancelled.

The contributed surplus of the Group represents (i) the difference between the reduction in the issued share capital of HK$0.0995 for every issued share at a nominal value of HK$0.10 each of the Company and amount to be set-off against the accumulated losses of the Company pursuant to a capital restructuring on 25 July 2003; and (ii) the share premium reductions.

Other reserves represent (i) the difference between the consideration and the carrying amount of the net assets attributable to the additional and reduction of interests in subsidiaries being acquired from and disposed to non-controlling interests respectively; and (ii) share of other reserves of associates.

The share options reserve represents the cumulative expenses recognised on the granting of share options to the employees over the vesting period and share of the share options reserves of the associates.

In accordance with relevant PRC regulations, certain subsidiaries of the Company are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.

Convertible bonds equity reserve

On 1 April 2020, the Company entered into a subscription agreement with Baring Private Equity Asia V Holding (5) Limited ("BPEA") (the "Proposed Subscription") pursuant to which the Company conditionally agreed to subscribe for, and BPEA conditionally agreed to issue, the exchangeable bonds for a consideration of approximately HK$361.3 million (the "Exchangeable Bonds"). The consideration shall be satisfied by the Company issuing the convertible bonds to BPEA to convert into up to 44,886,521 ordinary shares of the Company ("Conversion Share") at the initial conversion price (subject to adjustment) of HK$8.05 per Conversion Share (the "Convertible Bonds"). The Exchangeable Bonds will initially entitle the holder thereof to exchange for 344,129,996 ordinary shares of Kangda International (subject to adjustment). BPEA conditionally agreed to subscribe for the Convertible Bonds of the Company in an aggregate principal amount of approximately HK$361.3 million.

The Proposed Subscription was completed on 8 May 2020 and the Convertible Bonds and the Exchangeable Bonds were issued on 8 May 2020 accordingly.

On initial recognition, the Convertible Bonds were presented in equity as convertible bonds equity reserve and the Exchangeable Bonds were presented in financial assets at fair value through profit or loss (note 29).

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For the year ended 31 March 2021

41 BUSINESS COMBINATIONS

(a) On 8 June 2020, the Group entered into an agreement with the independent third parties to acquire 100% equity interest in 獲嘉縣新水水務有限公司 ("Huojia County Xinshui Water") at a consideration of RMB92,040,000 (approximately HK$108,283,000). Huojia County Xinshui Water is principally engaged in water supply business. The acquisition was completed on 8 October 2020.

The acquisition was made as part of the Group's strategy to facilitate the water supply business in the PRC.

Details of fair value of the net identified assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration – settled by cash	108,283
Fair value of net identified assets acquired	(54,226)
Goodwill (note 20)	54,057

The goodwill of HK$54,057,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

Notes to the Consolidated Financial Statements
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41 BUSINESS COMBINATIONS (Continued)

(a) (Continued)

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	**Carrying amount** HK$'000
Property, plant and equipment	943	943
Right-of-use assets	3,559	3,559
Other intangible assets	91,566	64,153
Inventories	181	181
Prepayments, deposits and other receivables	831	831
Cash and cash equivalents	6,452	6,452
Lease liabilities	(2,183)	(2,183)
Contract liabilities	(1,590)	(1,590)
Trade and bills payables	(103)	(103)
Accrued liabilities, deposits received and other payables	(38,577)	(38,577)
Deferred tax liabilities	(6,853)	–
Net identifiable assets attributed to the Group acquired	54,226	33,666
Cash and cash equivalents in business acquired		6,452
Cash outflow on acquisition of business		(108,283)
Net cash outflow arising on acquisition		(101,831)

None of the receivables have been impaired and it is expected the full contractual amount can be collected.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

Since its acquisition, Huojia County Xinshui Water contributed revenue of HK$14,833,000 and net profit of HK$2,760,000 to the Group for the period from 8 October 2020 to 31 March 2021.

Had the combination been taken place on 1 April 2020, the revenue and the net profit of the Group for the year ended 31 March 2021 would have been HK$10,355,874,000 and HK$2,662,990,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2020, nor are they intended to be a projection of future results.

41 BUSINESS COMBINATIONS (Continued)

(b) On 24 March 2020, the Group entered into an agreement with an independent third party, 玉屏縣人民政府 ("Yuping Government"), that the Group and Yuping Government shall establish a new company, 貴州黔東水務有限公司 ("Guizhou Qiandong Water"), to run a water supply and sewage treatment businesses. The Group shall contribute 51% registered capital of Guizhou Qiandong Water by way of cash (RMB46,701,000, approximately HK$54,942,000) and Yuping Government shall contribute the remaining 49% interest of Guizhou Qiandong Water by way of assets and the water supply and sewage treatment businesses in Guizhou Qiandong Water. The above transaction was completed on 10 September 2020.

The transaction was made as part of the Group's strategy to facilitate the water supply and sewage treatment businesses in the PRC.

The assets and liabilities arising from the business combination are as follows:

	Fair value HK$'000	**Carrying amount** HK$'000
Property, plant and equipment	555	555
Right-of-use assets	3,175	3,175
Other intangible assets	60,685	60,685
Inventories	922	922
Trade and bills receivables	7,949	7,949
Prepayments, deposits and other receivables	1,336	1,336
Cash and cash equivalents	1,140	1,140
Contract liabilities	(53)	(53)
Trade and bills payables	(29)	(29)
Accrued liabilities, deposits received and other payables	(15,198)	(15,198)
Borrowings	(5,540)	(5,540)
Non-controlling interests	(54,942)	(54,942)
Net identifiable assets attributed to the Group acquired	–	–
Cash and cash equivalents in business acquired and net cash inflow arising on transaction		1,140

None of the receivables have been impaired and it is expected the full contractual amount can be collected.

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41 BUSINESS COMBINATIONS (Continued)

(b) (Continued)

Since its acquisition, Guizhou Qiandong Water contributed revenue of HK$21,953,000 and net profit of HK$2,144,000 to the Group for the period from 10 September 2020 to 31 March 2021.

Had the combination been taken place on 1 April 2020, the revenue and the net profit of the Group for the year ended 31 March 2021 would have been HK$10,353,222,000 and HK$2,659,356,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2020, nor are they intended to be a projection of future results.

42 DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2021, the Group disposed several subsidiaries and recognised a net loss on disposal of approximately HK$3,162,000 (2020: HK$348,000).

43 COMMITMENTS AND GUARANTEES

(a) Capital commitments

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

	2021 **HK$'000**	2020 HK$'000
Contracted, but not provided for		
– Other intangible assets	**508,901**	422,944
– Property, plant and equipment	**18,001**	24,374
	526,902	447,318

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For the year ended 31 March 2021

43 COMMITMENTS AND GUARANTEES (Continued)

(b) Operating lease arrangement

As lessor

The Group leases its investment properties under operating lease arrangements for terms ranging from one to ten years (2020: one to ten years) in average. 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:

	2021	2020
	HK$'000	HK$'000
Within one year	**25,539**	32,864
In the second to fifth years, inclusive	**29,628**	32,715
After five years	**711**	344
	55,878	65,923

(c) As at 31 March 2021, the Group had commitment to make direct capital injections to its associates operating in the PRC of approximately HK$3,971,000 (2020: HK$3,792,000).

(d) As at 31 March 2021, the Group had given guarantees to the banks for mortgage loans granted to purchasers of certain subsidiaries' properties of approximately HK$359,000 (2020: HK$1,349,000).

In the opinion of the directors of the Company, the financial impact arising from the above guarantees is insignificant due to low applicable default rate and accordingly, they are not accounted for in the consolidated financial statements.

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For the year ended 31 March 2021

44 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following material related party transactions:

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

	2021 HK$'000	2020 HK$'000
Total remuneration of directors and other members of key management during the year		
– Short term employee benefits	**49,993**	48,938
– Retirement scheme contribution	**491**	636
	50,484	49,574

(b) Sales to an associate:

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant related party transactions:

	2021 HK$'000	2020 HK$'000
Sales to an associate	**97,143**	36,079

The Group provided construction services of approximately HK$97,143,000 (2020: HK$36,079,000) to subsidiaries of Kangda International, an associate of the Group. The services were made with reference to the terms negotiated between both parties.

Notes to the Consolidated Financial Statements

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45 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Movements of financial liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings HK$'000
At 1 April 2019	14,931,614
Changes from financing cash flows	2,561,493
Increase arising from acquisition of subsidiaries	122,414
Others	46,079
Exchange differences	(272,583)
At 31 March 2020 and 1 April 2020	17,389,017
Changes from financing cash flows	661,872
Increase arising from acquisition of a subsidiary (note 41)	5,540
Others	50,589
Exchange differences	321,855
At 31 March 2021	**18,428,873**

Notes to the Consolidated Financial Statements

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46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2021 HK$'000	2020 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment		**329**	149
Investment in subsidiaries		**2,772,546**	2,653,455
Investment in an associate		**187,245**	187,245
Financial assets at fair value through other comprehensive income		**7,143**	8,799
		2,967,263	2,849,648
Current assets			
Financial assets at fair value through profit or loss		**237,450**	–
Due from subsidiaries		**7,936,850**	6,039,188
Due from associates		**3,253**	–
Prepayments, deposits and other receivables		**15,020**	41,237
Pledged deposits		**135,625**	678,102
Cash and cash equivalents		**246,032**	1,523,279
		8,574,230	8,281,806
Current liabilities			
Due to subsidiaries		**175,166**	228,477
Due to an associate		**–**	3,441
Accrued liabilities, deposits received and other payables		**91,472**	92,361
Borrowings		**2,945,150**	1,673,859
		3,211,788	1,998,138
Net current assets		**5,362,442**	6,283,668
Total assets less current liabilities		**8,329,705**	9,133,316
Non-current liabilities			
Borrowings		**7,208,049**	8,875,767
Deferred government grants		**2,370**	2,370
		7,210,419	8,878,137
Net assets		**1,119,286**	255,179
Equity			
Share capital	38	**15,849**	16,040
Reserves	46(b)	**1,103,437**	239,139
Total equity		**1,119,286**	255,179

Approved and authorised for issue by the board of directors on 29 June 2021 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

Notes to the Consolidated Financial Statements
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46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company

	Proposed final dividend HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
Balance at 1 April 2019	**257,424**	**661,918**	**3,064**	**–**	**96,808**	**(678)**	**19,069**	**1,037,605**
Share repurchase (note 38)	–	(34,168)	–	–	–	–	–	(34,168)
Share repurchase expenses	–	(119)	–	–	–	–	–	(119)
Final dividend 2019 (note 12)	(257,424)	779	–	–	–	–	–	(256,645)
Interim dividend 2020 (note 12)	–	(224,564)	–	–	–	–	–	(224,564)
Transactions with owners	**(257,424)**	**(258,072)**	**–**	**–**	**–**	**–**	**–**	**(515,496)**
Proposed final dividend 2020 (note 12)	**256,645**	**(256,645)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to capital redemption reserve	**–**	**–**	**49**	**–**	**–**	**–**	**(49)**	**–**
Loss for the year	–	–	–	–	–	–	(278,962)	(278,962)
Other comprehensive (loss)/income								
– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(4,902)	–	–	–	(4,902)
– Currency translation	–	–	–	–	–	894	–	894
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**(4,902)**	**–**	**894**	**(278,962)**	**(282,970)**
Balance at 31 March 2020	**256,645**	**147,201**	**3,113**	**(4,902)**	**96,808**	**216**	**(259,942)**	**239,139**

Notes to the Consolidated Financial Statements

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46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company (Continued)

	Proposed final dividend HK$'000	Convertible bonds equity reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	(Accumulated losses)/ Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2020	**256,645**	**–**	**147,201**	**3,113**	**(4,902)**	**96,808**	**216**	**(259,942)**	**239,139**
Share repurchase (note 38)	–	–	(116,687)	–	–	–	–	–	(116,687)
Share repurchase expenses	–	–	(408)	–	–	–	–	–	(408)
Convertible bonds issued	–	282,190	–	–	–	–	–	–	282,190
Final dividend 2020 (note 12)	(256,645)	–	2,267	–	–	–	–	–	(254,378)
Interim dividend 2021 (note 12)	–	–	–	–			–	(237,735)	(237,735)
Transactions with owners	**(256,645)**	**282,190**	**(114,828)**	**–**	**–**	**–**	**–**	**(237,735)**	**(327,018)**
Proposed final dividend 2021 (note 12)	**253,584**	**–**	**–**	**–**	**–**	**–**	**–**	**(253,584)**	**–**
Transfer to capital redemption reserve	**–**	**–**	**–**	**191**	**–**	**–**	**–**	**(191)**	**–**
Profit for the year	–	–	–	–	–	–	–	1,238,616	1,238,616
Other comprehensive (loss)/income									
– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(46,395)	–	–	–	(46,395)
– Currency translation	–	–	–	–	–	–	(905)	–	(905)
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(46,395)**	**–**	**(905)**	**1,238,616**	**1,191,316**
Balance at 31 March 2021	**253,584**	**282,190**	**32,373**	**3,304**	**(51,297)**	**96,808**	**(689)**	**487,164**	**1,103,437**

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company (Continued)

The capital redemption reserve of the Company represents the nominal value of the share capital of the Company repurchased and cancelled.

The contributed surplus represented (i) reduction in issued share capital pursuant to a capital restructuring on 25 July 2003; and (ii) the share premium reductions. Under the Companies Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if: (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The share options reserve represents the cumulative expenses recognised on the granting of share options to the employees over the vesting period.

Convertible bonds equity reserve

On 1 April 2020, the Company entered into a subscription agreement with BPEA pursuant to which the Company conditionally agreed to subscribe for, and BPEA conditionally agreed to issue, the exchangeable bonds for a consideration of approximately HK$361.3 million. The consideration shall be satisfied by the Company issuing the convertible bonds to BPEA to convert into up to 44,886,521 ordinary shares of the Company at the initial conversion price (subject to adjustment) of HK$8.05 per Conversion Share. The Exchangeable Bonds will initially entitle the holder thereof to exchange for 344,129,996 ordinary shares of Kangda International (subject to adjustment). BPEA conditionally agreed to subscribe for the Convertible Bonds of the Company in an aggregate principal amount of approximately HK$361.3 million.

The Proposed Subscription was completed on 8 May 2020 and the Convertible Bonds and the Exchangeable Bonds were issued on 8 May 2020 accordingly.

On initial recognition, the Convertible Bonds were presented in equity as convertible bonds equity reserve and the Exchangeable Bonds were presented in financial assets at fair value through profit or loss (note 29).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) General information of principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2021 are as follows:

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
China Water Supply Group Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Investment holding
Fortune Trend Holdings Limited	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding
GT Water Holdings Limited	Hong Kong	Ordinary shares of RMB113,911,451	–	100%	Investment holding
Gold Tact (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$100,545,366	100%	–	Investment holding
Hang Da Holdings (HK) Limited	Hong Kong	Ordinary shares of HK$10,000	100%	–	Investment holding
Legend Target Limited	Hong Kong	Ordinary share of HK$1	–	80.66%	Investment holding
China Water Property (Hong Kong) Investment Limited	Hong Kong	Ordinary shares of HK$10,000	–	70%	Investment holding
China Water Group (HK) Limited	British Virgin Islands ("BVI")/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
China Water International Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Oceanup Investments Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Ming Hing Waterworks Engineering (PRC) Ltd.	BVI/Hong Kong	100 ordinary shares of US$1 each	–	100%	Investment holding
Business Decade Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
New Prospect Global Limited	BVI/Hong Kong	10,000 ordinary shares of US$1 each	–	80.66%	Investment holding
New Prime Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Create Capital Development Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	–	70%	Investment holding
Goldtrust Water Holdings Limited	Cayman Islands/ Hong Kong	100 ordinary shares of US$1 each	–	100%	Investment holding
Jianhe Holdings Group Limited	Bermuda/Hong Kong	10,000 ordinary shares of HK$0.01 each	–	80.66%	Investment holding

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
銀龍水務投資有限公司#	PRC	Registered capital of RMB1,061,000,000 (2020: RMB1,000,000,000)	100%	–	Investment holding
上海倍臣水務發展有限公司^	PRC	Registered capital of RMB404,000,000	–	100%	Investment holding
上海銀龍股權投資有限公司^	PRC	Registered capital of RMB1,000,000,000	–	100%	Investment holding
江河水務有限公司^	PRC	Registered capital of RMB225,000,000	–	100%	Investment holding
河南銀龍供水有限公司*	PRC	Registered capital of RMB287,000,000	–	100%	Investment holding
深圳金達環境控股有限公司*	PRC	Registered capital of RMB602,282,275	–	93.45% (2020: 88.07%)	Investment holding
深圳市金信安水務集團有限公司#	PRC	Registered capital of RMB400,000,000	–	100%	Investment holding
廣東新晟環保集團有限公司^	PRC	Registered capital of RMB323,890,000	–	93.45% (2020: 88.07%)	Investment holding
河南國源水務有限公司^	PRC	Registered capital of RMB300,000,000	–	100%	Investment holding, construction and operation of water conservation and hydropower related projects
荊州水務集團有限公司(ii)*	PRC	Registered capital of US$60,589,200	36.9%	14.1%	Investment holding, city water supply and water supply infrastructure
公安縣銀龍水務有限公司^	PRC	Registered capital of RMB173,944,431	–	51%	City water supply and water supply infrastructure
武漢市新洲區長源供水有限公司^	PRC	Registered capital of RMB15,160,000	–	91.79%	City water supply and water supply infrastructure
漢川市新河自來水有限公司^	PRC	Registered capital of RMB10,000,000	–	100%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
新余水務集團有限公司#	PRC	Registered capital of RMB150,000,000	60%	–	City water supply and water supply infrastructure
宜豐縣銀龍水務有限公司*	PRC	Registered capital of RMB52,800,000	55%	–	City water supply and water supply infrastructure
江河港武水務（常州）有限公司(ii)^	PRC	Registered capital of RMB237,000,000	–	40%	City water supply and water supply infrastructure
重慶市永川區僑立水務有限公司#	PRC	Registered capital of RMB200,000,000	100%	–	City water supply and water supply infrastructure
重慶墊江水務有限公司*	PRC	Registered capital of RMB250,000,000	56%	–	City water supply and water supply infrastructure
高安水務有限公司*	PRC	Registered capital of RMB133,000,000 (2020: RMB60,000,000)	60%	–	City water supply and water supply infrastructure
高安市昌西供水有限公司^	PRC	Registered capital of RMB2,000,000	–	60%	City water supply and water supply infrastructure
高安市八景供水有限公司^	PRC	Registered capital of RMB5,000,000	–	60%	City water supply and water supply infrastructure
高安市新街供水有限公司^	PRC	Registered capital of RMB1,000,000	–	60%	City water supply and water supply infrastructure
高安市沙湖供水有限公司^	PRC	Registered capital of RMB500,000	–	60%	City water supply and water supply infrastructure
高安瑞西供水有限公司^	PRC	Registered capital of RMB1,000,000	–	60%	City water supply and water supply infrastructure
長沙（中國水務）集團有限公司*	PRC	Registered capital of RMB500,000,000 (2020: RMB200,000,000)	–	90%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
長沙水杯子直飲水工程設備有限公司*	PRC	Registered capital of RMB20,000,000	–	51%	Direct drinking water operation and construction
寧鄉中水煤城供水有限公司^	PRC	Registered capital of RMB5,000,000	–	90%	City water supply and water supply infrastructure
寧鄉市銀龍農村水務有限公司^	PRC	Registered capital of RMB20,000,000	–	90%	City water supply and water supply infrastructure
惠州中水水務發展有限公司*	PRC	Registered capital of RMB200,000,000	20%	50%	City water supply and water supply infrastructure
惠州大亞灣溢源淨水有限公司^	PRC	Registered capital of RMB248,612,103	–	59.78%	City water supply and water supply infrastructure
河源市水業集團發展有限公司^	PRC	Registered capital of RMB100,000,000	–	62.67%	City water supply and water supply infrastructure
和平縣天平供水有限公司^	PRC	Registered capital of RMB18,800,000	–	90%	City water supply and water supply infrastructure
博羅縣長寧閩恒供水有限公司#	PRC	Registered capital of HK$16,800,000	–	100%	City water supply and water supply infrastructure
博羅縣羅浮山清景供水有限公司^	PRC	Registered capital of RMB10,000,000	–	100%	City water supply and water supply infrastructure
龍川縣眾誠水務有限公司^	PRC	Registered capital of RMB10,000,000	–	100%	City water supply and water supply infrastructure
雷州市華洋水務有限公司(ii)*	PRC	Registered capital of RMB70,000,000	–	47.14%	City water supply and water supply infrastructure
深圳市大工業區水務有限公司^	PRC	Registered capital of RMB45,500,000	–	56.04%	City water supply, water supply infrastructure, drainage operation and construction

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
武陟國源水務有限公司^	PRC	Registered capital of RMB41,333,300	–	75%	City water supply and water supply infrastructure
平頂山石龍區國源水務有限公司^	PRC	Registered capital of RMB25,000,000	–	60%	City water supply and water supply infrastructure
葉縣國源水務有限公司^	PRC	Registered capital of RMB27,000,000	–	77.78%	City water supply and water supply infrastructure
夏邑縣聰辰自來水有限公司^	PRC	Registered capital of RMB50,000,000	–	100%	City water supply and water supply infrastructure
郏縣銀龍水務有限公司^	PRC	Registered capital of RMB100,000,000	–	80%	City water supply and water supply infrastructure
周口銀龍水務有限公司*	PRC	Registered capital of HK$51,000,000	–	70%	City water supply and water supply infrastructure
河南鹿邑銀龍供水有限公司^	PRC	Registered capital of RMB50,000,000 (2020: RMB14,000,000)	–	100%	City water supply and water supply infrastructure
河南銀龍（扶溝）供水有限公司^	PRC	Registered capital of RMB14,000,000	–	100%	City water supply and water supply infrastructure
河南銀龍（西華）供水有限公司^	PRC	Registered capital of RMB14,000,000	–	100%	City water supply and water supply infrastructure
獲嘉縣新水水務有限公司(i)#	PRC	Registered capital of RMB4,000,000	–	100%	City water supply and water supply infrastructure
寶豐縣銀龍水務有限公司*	PRC	Registered capital of RMB200,000,000	–	70%	City water supply and water supply infrastructure
舞鋼市銀龍水務有限公司#	PRC	Registered capital of RMB20,000,000	–	100%	City water supply and water supply infrastructure
淮陽縣上善水務有限公司#	PRC	Registered capital of RMB80,000,000	–	100%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
魯山縣銀龍水務有限公司*	PRC	Registered capital of RMB120,108,000	–	80%	City water supply and water supply infrastructure
廣東仁化銀龍供水有限公司*	PRC	Registered capital of RMB27,260,000	–	73%	City water supply and water supply infrastructure
江西萬年銀龍水務有限責任公司*	PRC	Registered capital of US$60,690,000 (2020: US$56,390,000)	–	100%	City water supply
吉安水務集團有限公司^	PRC	Registered capital of RMB120,000,000	–	70%	City water supply and water supply infrastructure
吉安銀龍水務有限公司^	PRC	Registered capital of RMB87,320,000	–	50.4%	City water supply and water supply infrastructure
蘆溪水務有限公司*	PRC	Registered capital of RMB62,308,750	30%	30%	City water supply and water supply infrastructure
萍鄉水務有限公司*	PRC	Registered capital of RMB282,000,000	26%	25%	City water supply and water supply infrastructure
萍鄉市春雨水業有限公司^	PRC	Registered capital of RMB10,000,000	–	51%	City water supply and water supply infrastructure
懷化銀龍水務有限公司*	PRC	Registered capital of RMB30,000,000	30%	56.55%	City water supply and water supply infrastructure
懷化沅辰水務有限公司*	PRC	Registered capital of RMB76,581,697	–	65%	City water supply and water supply infrastructure
九江彭澤銀龍水務有限公司*	PRC	Registered capital of RMB102,734,375	49%	11%	City water supply and water supply infrastructure
運城銀龍水務有限公司*	PRC	Registered capital of RMB85,964,273	–	51%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
運城弘益水務有限公司*	PRC	Registered capital of RMB100,000,000	–	64.52%	City water supply and water supply infrastructure
夏縣銀龍水務有限公司*	PRC	Registered capital of RMB35,000,000	–	56.4%	City water supply and water supply infrastructure
隆堯銀龍水務有限公司*	PRC	Registered capital of RMB55,000,000	–	73%	City water supply and water supply infrastructure
常德安鄉銀龍水務有限公司*	PRC	Registered capital of RMB50,000,000	–	70%	City water supply and water supply infrastructure
江西黃崗山水務發展有限公司*	PRC	Registered capital of RMB80,000,000	–	75%	City water supply and water supply infrastructure
鶴崗三立水務有限公司*	PRC	Registered capital of RMB153,708,300	–	55%	City water supply, water supply infrastructure and drainage operation
分宜銀龍水務有限公司*	PRC	Registered capital of RMB75,000,000	66.67%	33.33%	City water supply and water supply infrastructure
上栗銀龍水務有限公司^	PRC	Registered capital of RMB99,500,000	–	60%	City water supply and water supply infrastructure
鞏義市銀龍源盛水務有限公司(i)^	PRC	Registered capital of RMB300,000,000	–	60%	City water supply and water supply infrastructure
鉛山縣銀龍水務有限公司#	PRC	Registered capital of RMB70,500,000 (2020: RMB55,500,000)	–	100%	City water supply and water supply infrastructure
宜春銀龍水務有限公司#	PRC	Registered capital of RMB38,000,000	–	100%	City water supply
海南興水城鄉供水有限公司^	PRC	Registered capital of RMB15,830,000	–	56.85%	City water supply

47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
昌邑鵬昊自來水有限公司^	PRC	Registered capital of RMB65,000,000	–	100%	City water supply and water supply infrastructure
貴州黔東水務有限公司(i)^	PRC	Registered capital of RMB95,308,000	–	51%	City water supply, water supply infrastructure and sewage treatment
江西銀龍水環境建設有限責任公司^	PRC	Registered capital of RMB400,000,000	–	74.76% (2020: 70.46%)	City water supply and water environmental renovation infrastructure
寶雞市金信安水務有限公司^	PRC	Registered capital of RMB42,680,000	–	93.45% (2020: 100%)	Sewage treatment
寶雞市陳倉金信安水務有限公司^	PRC	Registered capital of RMB12,000,000	–	93.45% (2020: 100%)	Sewage treatment
寶雞市大通水務有限公司^	PRC	Registered capital of RMB5,000,000	–	93.45% (2020: 88.07%)	Sewage treatment
荊州中水環保有限公司^	PRC	Registered capital of RMB63,749,400	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
萬年縣中水環保有限公司^	PRC	Registered capital of RMB53,000,000	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
分宜中水環保有限公司^	PRC	Registered capital of RMB18,000,000	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
鉛山縣中水環保有限公司^	PRC	Registered capital of RMB13,470,000	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
天津正坤水處理有限公司^	PRC	Registered capital of RMB13,000,000 (2020: RMB2,300,000)	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
天津重科水處理有限公司^	PRC	Registered capital of RMB14,000,000 (2020: RMB1,000,000)	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
邯鄲市峰峰錦晟污水處理有限公司^	PRC	Registered capital of RMB1,000,000	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction

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47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
邯鄲成晟水務有限公司^	PRC	Registered capital of RMB21,000,000	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
邯鄲市峰峰礦區世晟中水處理有限公司^	PRC	Registered capital of RMB6,000,000	–	93.45% (2020: 88.07%)	Sewage treatment
鹿邑新晟中水環保有限公司^	PRC	Registered capital of RMB6,000,000	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
鹿邑金達環保有限公司^	PRC	Registered capital of RMB15,000,000	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
北京同晟水淨化有限公司^	PRC	Registered capital of RMB13,000,000	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
高安新晟中水環保有限公司^	PRC	Registered capital of RMB16,000,000 (2020: RMB6,000,000)	–	93.45% (2020: 88.07%)	Sewage treatment
常州市大通水務有限公司^	PRC	Registered capital of RMB5,000,000	–	93.45% (2020: 88.07%)	Sewage treatment operation and construction
鎮平新晟中水環保有限公司^	PRC	Registered capital of RMB21,000,000	–	93.45% (2020: 88.07%)	Sewage treatment
惠州大亞灣清源環保有限公司^	PRC	Registered capital of RMB15,000,000	–	65.42% (2020: 61.65%)	Sewage treatment
深圳市大通水務有限公司^	PRC	Registered capital of RMB108,780,000	–	93.45% (2020: 88.07%)	Drainage operation and construction
金中環保（陸河）有限公司^	PRC	Registered capital of RMB48,900,000	–	70%	Drainage operation, sewage treatment operation and construction
漢川銀龍水務有限公司^	PRC	Registered capital of RMB43,000,000	–	100%	Sewage treatment operation and construction
惠州中海節能環保技術服務有限公司(ii)^	PRC	Registered capital of RMB10,000,000	–	47.66% (2020: 44.92%)	Energy conservation and environmental protection

Notes to the Consolidated Financial Statements

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47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
北京上河元酒店有限公司^	PRC	Registered capital of RMB171,600,000	–	100%	Property investment
北京中水建投實業有限公司^	PRC	Registered capital of RMB211,350,000	–	100%	Property development and investment
荊州水務隆錦置業有限公司^	PRC	Registered capital of RMB80,000,000	–	51%	Property development and investment
周口銀龍置業有限公司^	PRC	Registered capital of RMB8,000,000	–	70%	Property development and investment
河南銀龍房地產開發有限責任公司^	PRC	Registered capital of RMB50,000,000	–	100%	Property development and investment
寧鄉水務置業有限公司^	PRC	Registered capital of RMB20,000,000	–	90%	Property development and investment
重慶金錦駿昌實業有限公司^	PRC	Registered capital of RMB61,200,000	–	100%	Property development and investment
新余仙女湖新城房地產開發有限公司^	PRC	Registered capital of RMB20,500,000	–	67.73%	Property development and investment
杭州臨普貿易有限公司^	PRC	Registered capital of RMB30,000,000	–	100%	Property development and investment
杭州銀龍中水實業發展有限公司^	PRC	Registered capital of RMB30,000,000	–	100%	Property development and investment
鹿邑縣銀龍欣源置業有限公司^	PRC	Registered capital of RMB50,000,000	–	100%	Property development and investment
新余仙女湖新城旅游開發有限公司*	PRC	Registered capital of RMB144,948,500	22.77%	44.96%	Development and infrastructure of sightseeing area
江蘇河海置業有限公司*	PRC	Registered capital of RMB57,500,000	–	100%	Hotel operation

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Notes:

- * registered as Sino-foreign joint ventures under the PRC law
- # registered as wholly-foreign owned enterprises under the PRC law
- ^ registered as a limited liability company under the PRC law
- (i) acquired/incorporated/established/injected during the year ended 31 March 2021
- (ii) accounted for as subsidiaries of the Group because the directors are of the opinion that the Group has power over the investee through control of the board of the subsidiaries, exposure to variable returns from the investee and the ability to use its power to affect those variable returns.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(b) General information of associates

Particulars of the Group's associates with water supply and sewage treatment as their principal activities as at 31 March 2021 are as follows:

Name	Place of establishment/ operation	Particulars of registered capital	Group's effective interest held/ profit sharing	Principal activities
廣州市增城自來水有限公司	PRC	RMB167,500,000	40.82%	City water supply and water supply infrastructure
梧州粵海江河水務有限公司	PRC	RMB110,000,000	49%	City water supply
惠州大亞灣泓溢供水有限公司	PRC	RMB10,000,000	29.29%	City water supply and water supply infrastructure
貴州馨韻頤鶴泉水務科技發展有限公司	PRC	RMB10,080,000	17.85%	Direct drinking water operation and construction
常州禹安水務有限公司	PRC	RMB72,963,100	29%	Sewage treatment operation and sewage treatment infrastructure
Kangda International Environmental Company Limited	Cayman Islands	HK$50,000,000	28.46%	Construction and operations in urban water treatment businesses, water environment comprehensive remediation and rural water improvement
中原水務集團有限公司	PRC	RMB500,000,000	29%	Construction and operations in urban water treatment businesses, water environment comprehensive remediation and rural water improvement

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

48 EVENT AFTER THE REPORTING PERIOD

On 11 May 2021, the Company and certain existing subsidiaries of the Company which provided guarantee, entered into the purchase agreement with Morgan Stanley & Co. International plc, BNP Paribas, Australia and New Zealand Banking Group Limited, The Bank of East Asia, Limited, China CITIC Bank International Limited, DBS Bank Ltd. and BOCOM International Securities Limited, in connection with the issue of USD200,000,000 4.85% senior notes due May 2026 (the "2021 Notes"). The Company intended to use the net proceeds from the notes issue in the Company's repayment of the senior notes due February 2022 (the "2017 Notes") and certain other indebtedness and for finance working capital and in accordance with the Company's green finance framework.

On 21 June 2021, the Company has completed the partial redemption of the 2017 Notes at the redemption price equal to 101.3125% of the principal amount thereof, being USD150,000,000, plus accrued and unpaid interest. Upon completion of the partial redemption, the redeemed notes were cancelled and the outstanding principal amount of the 2017 Notes is USD150,000,000.

49 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2021.

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 2020, together with the comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
	Notes	**2020 (unaudited) HK$'000**	2019 (unaudited) HK$'000
Revenue	5	**5,131,231**	4,354,710
Cost of sales		**(3,020,749)**	(2,492,445)
Gross profit		**2,110,482**	1,862,265
Other income	5	**205,850**	207,509
Selling and distribution costs		**(104,522)**	(98,919)
Administrative expenses		**(374,294)**	(361,813)
(Loss)/gain on disposal of subsidiaries, net		**(2,914)**	878
Operating profit	7	**1,834,602**	1,609,920
Finance costs	8	**(192,622)**	(239,523)
Share of results of associates		**72,070**	291,389
Profit before income tax		**1,714,050**	1,661,786
Income tax expense	9	**(446,560)**	(377,818)
Profit for the period		**1,267,490**	1,283,968

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

		Six months ended 30 September	
	Notes	**2020 (unaudited) HK$'000**	2019 (unaudited) HK$'000
Profit for the period attributable to:			
Owners of the Company		**826,479**	881,080
Non-controlling interests		**441,011**	402,888
		1,267,490	1,283,968
Earnings per share for profit attributable to owners of the Company during the period	10	**HK cents**	HK cents
Basic		**51.68**	54.83
Diluted		**50.56**	54.83

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2020 (unaudited) HK$'000	2019 (unaudited) HK$'000
Profit for the period	**1,267,490**	1,283,968
Other comprehensive income		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	**234,077**	(643,847)
– Recycling of currency translation differences upon disposal of subsidiaries	**137**	(313)
– Recycling of currency translation differences upon deemed disposal of an associate	**1,688**	–
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	**(57,738)**	10,227
– Share of other comprehensive income of associates	**–**	(6,617)
Other comprehensive income/(loss) for the period, net of tax	**178,164**	(640,550)
Total comprehensive income for the period	**1,445,654**	643,418
Total comprehensive income attributable to:		
Owners of the Company	**947,824**	392,782
Non-controlling interests	**497,830**	250,636
	1,445,654	643,418

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 September 2020 (unaudited) HK$'000**	As at 31 March 2020 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**2,329,262**	2,224,200
Right-of-use assets	12	**1,290,337**	1,297,830
Investment properties		**1,066,895**	1,031,042
Interests in associates	13	**2,317,232**	2,227,812
Financial assets at fair value through other comprehensive income	14	**587,497**	358,285
Goodwill		**1,326,198**	1,320,004
Other intangible assets	12	**19,482,236**	17,558,146
Prepayments, deposits and other receivables	16	**1,084,879**	894,863
Contract assets		**775,103**	670,545
Receivables under service concession arrangements		**1,046,425**	1,031,570
		31,306,064	28,614,297
Current assets			
Properties under development		**1,509,197**	1,505,720
Properties held for sale		**759,703**	751,533
Inventories		**767,197**	630,394
Contract assets		**364,433**	295,993
Receivables under service concession arrangements		**64,970**	62,361
Trade and bills receivables	15	**1,191,732**	1,324,787
Financial assets at fair value through profit or loss		**570,456**	292,135
Due from non-controlling equity holders of subsidiaries		**262,989**	211,072
Due from associates		**136,180**	13,411
Prepayments, deposits and other receivables	16	**1,735,807**	1,597,350
Pledged deposits		**1,071,526**	963,236
Cash and cash equivalents		**5,018,130**	5,640,664
		13,452,320	13,288,656

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		As at	
	Notes	**30 September 2020 (unaudited) HK$'000**	31 March 2020 (audited) HK$'000
Current liabilities			
Lease liabilities		**32,042**	30,966
Contract liabilities		**794,052**	906,157
Trade and bills payables	17	**3,450,779**	3,106,708
Accrued liabilities, deposits received and other payables	18	**2,432,151**	2,482,964
Due to associates		**55,883**	121,805
Borrowings	19	**4,003,995**	4,090,990
Due to non-controlling equity holders of subsidiaries		**223,769**	163,642
Provision for tax		**1,660,403**	1,432,744
		12,653,074	12,335,976
Net current assets		**799,246**	952,680
Total assets less current liabilities		**32,105,310**	29,566,977
Non-current liabilities			
Borrowings	19	**14,727,041**	13,298,027
Lease liabilities		**333,523**	335,379
Contract liabilities		**310,296**	276,453
Due to non-controlling equity holders of subsidiaries		**480,595**	412,979
Deferred government grants		**216,696**	202,213
Deferred tax liabilities		**1,007,645**	943,423
		17,075,796	15,468,474
Net assets		**15,029,514**	14,098,503

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	As at 30 September 2020 (unaudited) HK$'000	As at 31 March 2020 (audited) HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	**15,919**	16,040
Reserves		**9,313,247**	8,491,670
		9,329,166	8,507,710
Non-controlling interests		**5,700,348**	5,590,793
Total equity		**15,029,514**	14,098,503

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2020 (unaudited) HK$'000	2019 (unaudited) HK$'000
Net cash inflow from operating activities	**1,157,337**	1,530,208
Net cash outflow from investing activities	**(2,475,058)**	(2,365,865)
Net cash inflow from financing activities	**672,617**	908,790
(Decrease)/Increase in cash and cash equivalents	**(645,104)**	73,133
Cash and cash equivalents at beginning of period	**5,640,664**	3,973,315
Effect of foreign exchange rates, net	**22,570**	(35,246)
Cash and cash equivalents at end of period	**5,018,130**	4,011,202
Analysis of balances of cash and cash equivalents		
Bank and cash balances	**5,018,130**	4,011,202

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company														
	Share capital HK$'000	Proposed dividend HK$'000	Treasury shares HK$'000 (note 21)	Convertible bonds equity reserve HK$'000 (note 22)	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000	Other reserves HK$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Statutory reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2020	**16,040**	**256,645**	**-**	**-**	**3,113**	**147,201**	**(626,533)**	**96,808**	**(172,324)**	**106,224**	**631,110**	**8,049,426**	**8,507,710**	**5,590,793**	**14,098,503**
Share repurchase *(note 21)*	(121)	-	(36,698)	-	-	(74,492)	-	-	-	-	-	-	(111,311)	-	(111,311)
Share repurchase expense *(note 21)*	-	-	(113)	-	-	(262)	-	-	-	-	-	-	(375)	-	(375)
Convertible bonds issued	-	-	-	282,190	-	-	-	-	-	-	-	-	282,190	-	282,190
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	55,709	55,709
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(42,494)	-	-	-	(42,494)	(207,706)	(250,200)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,779)	(4,779)
Capital contribution by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	6,413	6,413
Final dividend approved	-	(256,645)	-	-	-	2,267	-	-	-	-	-	-	(254,378)	-	(254,378)
Dividend paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(237,912)	(237,912)
Transactions with owners	**(121)**	**(256,645)**	**(36,811)**	**282,190**	**-**	**(72,487)**	**-**	**-**	**(42,494)**	**-**	**-**	**-**	**(126,368)**	**(388,275)**	**(514,643)**
Proposed interim dividend	**-**	**238,781**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(238,781)**	**-**	**-**	**-**
Transfer to capital redemption reserve *(note 21)*	**-**	**-**	**-**	**-**	**121**	**-**	**-**	**-**	**-**	**-**	**-**	**(121)**	**-**	**-**	**-**
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	826,479	826,479	441,011	1,267,490
Other comprehensive income/(loss)															
– Change in fair value of financial assets at fair value through other comprehensive income *(note 14(ii))*	-	-	-	-	-	-	-	-	-	(57,738)	-	-	(57,738)	-	(57,738)
– Currency translation	-	-	-	-	-	-	177,258	-	-	-	-	-	177,258	56,819	234,077
– Recycling of reserves upon deemed disposal of an associate	-	-	-	-	-	-	-	-	(127)	193	-	(66)	-	-	-
– Recycling of currency translation differences upon deemed disposal of an associate	-	-	-	-	-	-	1,688	-	-	-	-	-	1,688	-	1,688
– Recycling of currency translation differences upon disposal of subsidiaries	-	-	-	-	-	-	137	-	-	-	-	-	137	-	137
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**179,083**	**-**	**(127)**	**(57,545)**	**-**	**826,413**	**947,824**	**497,830**	**1,445,654**
Balance at 30 September 2020 (unaudited)	**15,919**	**238,781**	**(36,811)**	**282,190**	**3,234**	**74,714**	**(447,450)**	**96,808**	**(214,945)**	**48,679**	**631,110**	**8,636,937**	**9,329,166**	**5,700,348**	**15,029,514**

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

	Equity attributable to owners of the Company												
	Share capital HK$'000	Proposed dividend HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000	Other reserves HK$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Statutory reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2019	**16,089**	**257,424**	**3,064**	**661,918**	**5,484**	**96,808**	**(220,028)**	**108,617**	**479,193**	**6,561,897**	**7,970,466**	**4,932,004**	**12,902,470**
Share repurchase	(49)	–	–	(34,168)	–	–	–	–	–	–	(34,217)	–	(34,217)
Share repurchase expense	–	–	–	(119)	–	–	–	–	–	–	(119)	–	(119)
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	32,940	32,940
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	40,375	–	–	–	40,375	(117,036)	(76,661)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(31)	31	–	(140)	(140)
Deemed disposal of a subsidiary	–	–	–	–	–	–	(4,954)	–	–	–	(4,954)	4,954	–
Capital contribution by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	81,704	81,704
Final dividend approved	–	(257,424)	–	779	–	–	–	–	–	–	(256,645)	–	(256,645)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(119,592)	(119,592)
Transactions with owners	**(49)**	**(257,424)**	**-**	**(33,508)**	**-**	**-**	**35,421**	**-**	**(31)**	**31**	**(255,560)**	**(117,170)**	**(372,730)**
Proposed interim dividend	**-**	**224,564**	**-**	**(224,564)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to capital redemption reserve	**-**	**-**	**49**	**-**	**-**	**-**	**-**	**-**	**-**	**(49)**	**-**	**-**	**-**
Profit for the period	–	–	–	–	–	–	–	–	–	881,080	881,080	402,888	1,283,968
Other comprehensive income/(loss)													
– Change in fair value of financial assets at fair value through other comprehensive income *(note 14(ii))*	–	–	–	–	–	–	–	10,227	–	–	10,227	–	10,227
– Currency translation	–	–	–	–	(491,595)	–	–	–	–	–	(491,595)	(152,252)	(643,847)
– Share of other comprehensive income of associates	–	–	–	–	–	–	511	(7,128)	–	–	(6,617)	–	(6,617)
– Recycling of currency translation differences upon disposal of subsidiaries	–	–	–	–	(313)	–	–	–	–	–	(313)	–	(313)
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**(491,908)**	**-**	**511**	**3,099**	**-**	**881,080**	**392,782**	**250,636**	**643,418**
Balance at 30 September 2019 (unaudited)	**16,040**	**224,564**	**3,113**	**403,846**	**(486,424)**	**96,808**	**(184,096)**	**111,716**	**479,162**	**7,442,959**	**8,107,688**	**5,065,470**	**13,173,158**

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 2020 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2020 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 2020.

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

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The amendments to standards adopted by the Group did not have any impact on the Group's accounting policies.

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 results of operations and financial position.

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 2020.

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 as at 31 March 2020.

There have been no changes in the risk management policies since year ended 31 March 2020.

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 2020:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial assets at fair value through other comprehensive income	**6,121**	**–**	**581,376**	**587,497**
Financial assets at fair value through profit or loss	**–**	**–**	**570,456**	**570,456**
Net fair values (unaudited)	**6,121**	**–**	**1,151,832**	**1,157,953**

The following table presents the Group's financial assets that are measured at fair value at 31 March 2020:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through other comprehensive income	8,799	–	349,486	358,285
Financial assets at fair value through profit or loss	–	–	292,135	292,135
Net fair values (audited)	8,799	–	641,621	650,420

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 comprise financial products with licensed banks in the PRC. The Group 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:

	30 September 2020 (unaudited) HK$'000	31 March 2020 (audited) HK$'000
Financial assets at fair value through other comprehensive income:		
Opening balance	**349,486**	335,524
Changes in fair value recognised in other comprehensive income	**(55,060)**	7,866
Acquisition of subsidiaries	**–**	56
Additions	**282,978**	21,120
Exchange realignment	**3,972**	(15,080)
Ending balance	**581,376**	349,486
Financial assets at fair value through profit or loss:		
Opening balance	**292,135**	488,648
Net purchase/(disposal) of financial assets at fair value through profit or loss	**278,321**	(196,513)
Ending balance	**570,456**	292,135

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:

	Six months ended 30 September	
	2020 (unaudited) HK$'000	2019 (unaudited) HK$'000
Revenue:		
Water supply operation services	**1,352,615**	1,248,212
Water supply connection income	**914,365**	761,578
Water supply construction services	**1,924,834**	1,536,915
Sewage treatment and drainage operation services	**165,692**	174,406
Sewage treatment and water environmental renovation construction services	**291,942**	351,808
Sales of properties	**282,323**	88,205
Sales of goods	**5,899**	12,111
Hotel and rental income	**39,931**	48,372
Finance income	**20,624**	21,951
Handling income	**16,957**	15,333
Others	**116,049**	95,819
Total	**5,131,231**	4,354,710
Other income:		
Interest income	**101,306**	56,807
Government grants and subsidies#	**70,356**	105,537
Amortisation of deferred government grants	**4,583**	4,703
Gain on disposal of property, pant and equipment, net	**1,465**	6,544
Dividend income from financial assets	**6,758**	10,432
Miscellaneous income	**21,382**	23,486
Total	**205,850**	207,509

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 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 (loss)/gain on disposal of subsidiaries, net are excluded from segment results.

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

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

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

For the period ended 30 September 2020

	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
Revenue					
From external customers	4,240,201	500,194	301,166	89,670	5,131,231
From inter-segment	-	-	-	-	-
Segment revenue	4,240,201	500,194	301,166	89,670	5,131,231
Segment profit	1,626,362	132,781	64,344	18,753	1,842,240
Unallocated corporate income					108,178
Unallocated corporate expense					(112,902)
Loss on disposal of subsidiaries, net					(2,914)
Finance costs					(192,622)
Share of results of associates	35,493	34,323	-	2,254	72,070
Profit before income tax					1,714,050
Income tax expense					(446,560)
Profit for the period					1,267,490
Total segment assets	24,788,100	3,164,922	3,668,788	2,706,699	34,328,509

For the period ended 30 September 2019

	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
Revenue					
From external customers	3,589,694	590,965	106,230	67,821	4,354,710
From inter-segment	–	–	–	–	–
Segment revenue	3,589,694	590,965	106,230	67,821	4,354,710
Segment profit	1,449,730	191,922	13,240	841	1,655,733
Unallocated corporate income					69,292
Unallocated corporate expense					(115,983)
Gain on disposal of subsidiaries, net					878
Finance costs					(239,523)
Share of results of associates	31,466	260,416	–	(493)	291,389
Profit before income tax					1,661,786
Income tax expense					(377,818)
Profit for the period					1,283,968
Total segment assets	20,876,657	3,360,606	3,432,220	2,285,369	29,954,852

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:

	Six months ended 30 September	
	2020 (unaudited) HK$'000	2019 (unaudited) HK$'000
Depreciation of property, plant and equipment	**39,685**	35,142
Depreciation of right-of-use assets	**32,086**	29,205
Amortisation of other intangible assets	**279,799**	239,691

8. Finance costs

	Six months ended 30 September	
	2020 (unaudited) HK$'000	2019 (unaudited) HK$'000
Interest on bank loans	**282,606**	311,240
Interest on other loans	**88,852**	80,576
Interest on lease liabilities	**8,843**	5,354
Total borrowing costs	**380,301**	397,170
Less: interest capitalised included in property, plant and equipment, other intangible assets and properties under development	**(187,679)**	(157,647)
	192,622	239,523

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 (2019: Nil). Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Current income tax:		
– the PRC *(note)*	**392,644**	333,312
Deferred tax	**53,916**	44,506
Total income tax expense	**446,560**	377,818

Note: The provision for PRC current income tax is based on a statutory income tax rate of 25% (2019: 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 15% (2019: 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$826,479,000 (2019: HK$881,080,000) and the weighted average of 1,599,118,000 (2019: 1,606,933,000) ordinary shares in issue during the period.

For the financial period ended 30 September 2020, the calculation of diluted earnings per share is based on the profit for the period attributable to owners of the Company of HK$826,479,000 and after adjustments to reflect the effect of deemed exercise or conversion of convertible bonds, which was the adjusted weighted average of 1,634,684,000 ordinary shares outstanding during the period, being the weighted average number of ordinary shares of 1,599,118,000 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 35,566,000.

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding during the six months ended 30 September 2019.

11. Dividend

Dividend attributable to the interim period:

	Six months ended 30 September	
	2020 (unaudited) HK$'000	2019 (unaudited) HK$'000
Interim dividend		
– HK$0.15 (2019: HK$0.14) per ordinary share	**238,781**	224,564

The interim dividend proposed after the reporting date for the financial period ended 30 September 2020 and 2019 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 2020, the addition in property, plant and equipment amounted to HK$117,904,000 (31 March 2020: HK$258,689,000); right-of-use assets amounted to HK$7,216,000 (31 March 2020: HK$256,656,000); and other intangible assets amounted to HK$1,949,687,000 (31 March 2020: HK$3,112,814,000).

13. Interests in associates

The carrying amount of interests in associates has changed as follows in the six months to 30 September 2020:

	Six months ended 30 September
	2020 (unaudited) HK$'000
Opening balance	**2,227,812**
Additions	**7,324**
Disposals	**(3,089)**
Credited to profit or loss	**72,070**
Credited to other comprehensive income	**1,688**
Dividend paid	**(9,875)**
Exchange realignment	**21,302**
Ending balance	**2,317,232**

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 2020 (unaudited) HK$'000	31 March 2020 (audited) HK$'000
Listed equity securities in Hong Kong	HK$	**6,121**	8,799
Unlisted exchangeable bonds in Hong Kong	HK$	**227,130**	–
Unlisted equity securities outside Hong Kong	RMB	**354,246**	349,486
		587,497	358,285

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

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

	Six months ended 30 September 2020 (unaudited) HK$'000	2019 (unaudited) HK$'000
Change in fair value of financial assets at fair value through other comprehensive income	**(57,738)**	10,227
Dividend income from financial assets *(note 5)*	**6,758**	10,432

15. Trade and bills receivables

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

	As at 30 September 2020 (unaudited) HK$'000	As at 31 March 2020 (audited) HK$'000
0 to 90 days	**528,995**	773,703
91 to 180 days	**76,820**	120,514
Over 180 days	**585,917**	430,570
	1,191,732	1,324,787

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.

16. Prepayments, deposits and other receivables

	Notes	As at 30 September 2020 (unaudited) HK$'000	As at 31 March 2020 (audited) HK$'000
Non-current			
Prepayments and other receivables	(i)	**1,084,879**	894,863
Current			
Prepayments		**248,625**	257,957
Other receivables	(ii)	**1,487,182**	1,339,393
		1,735,807	1,597,350

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.

None of the above deposits and other receivables is either past due or impaired. Deposits and other receivables relate to counterparties for which there were no recent history of default.

17. Trade and bills payables

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

	As at	
	30 September 2020 (unaudited) HK$'000	31 March 2020 (audited) HK$'000
0 to 90 days	**1,783,814**	2,148,969
91 to 180 days	**413,354**	459,900
Over 180 days	**1,253,611**	497,839
	3,450,779	3,106,708

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

As at 30 September 2020, the bills payables of HK$383,138,000 (31 March 2020: HK$378,441,000) were secured by the pledged bank deposits of HK$214,385,000 (31 March 2020: HK$255,032,000).

18. Accrued liabilities, deposits received and other payables

	As at	
	30 September 2020 (unaudited) HK$'000	31 March 2020 (audited) HK$'000
Accrued liabilities	**444,234**	433,433
Deposits received	**61,069**	46,028
Other payables *(note)*	**1,926,848**	2,003,503
	2,432,151	2,482,964

Note: Other payables mainly included water supply and sewage treatment fees and various municipal service charges received on behalf of certain government authorities in the PRC of HK$459,484,000 (31 March 2020: HK$527,028,000), payables for other PRC tax surcharges and construction costs, and payables for the Company's final dividend of HK$254,378,000 (31 March 2020: HK$ Nil).

19. Borrowings

	Original currency	As at 30 September 2020 (unaudited) HK$'000	As at 31 March 2020 (audited) HK$'000
Current			
Bank loans – unsecured	RMB	**1,175,119**	893,946
Bank loans – secured	RMB	**1,612,182**	1,405,832
Bank loans due for repayment which contain a repayment on demand clause – unsecured *(note)*	USD	**374,400**	499,000
Bank loans – unsecured	USD	**633,954**	1,107,917
Other loans – unsecured	RMB	**27,784**	27,472
Other loans – secured	RMB	**–**	30,236
Other loans – secured	USD	**91,765**	36,706
Government loans – unsecured	RMB	**88,791**	89,881
		4,003,995	4,090,990
Non-current			
Bank loans – unsecured	RMB	**1,179,046**	1,171,148
Bank loans – secured	RMB	**3,752,713**	3,028,301
Bank loans – unsecured	USD	**6,090,663**	5,577,418
Bank loans – unsecured	HK$	**496,623**	496,206
Other loans – unsecured	RMB	**86,923**	309,511
Other loans – unsecured	USD	**2,307,875**	2,301,428
Other loans – secured	USD	**670,414**	271,848
Government loans – unsecured	RMB	**142,784**	142,167
		14,727,041	13,298,027
		18,731,036	17,389,017

Note: Due to the unconditional right to demand repayment stated in the relevant loan agreement, the current liabilities of the Group as at 30 September 2020 included bank loan of USD48,000,000 (approximately HK$374,400,000) that are not scheduled to repay within one year. It is classified as current liability as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at the fifth anniversary to the related loan agreement any time at its own discretion. The right will expire within twelve months from 30 September 2020 and the loan amount will be reclassified in accordance with the scheduled repayment.

20. Pledge of assets

Details of the pledge of assets of the Group for securing certain loan facilities and bills payables at 30 September 2020 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 2020 was HK$86,043,000 (31 March 2020: HK$92,164,000);

(d) charges over the right-of-use assets in which their aggregate carrying amount as at 30 September 2020 was HK$198,234,000 (31 March 2020: HK$177,438,000);

(e) charges over investment properties in which their aggregate carrying amount as at 30 September 2020 was HK$954,307,000 (31 March 2020: HK$301,011,000);

(f) charges over other intangible assets in which their aggregate carrying amount as at 30 September 2020 was HK$1,081,317,000 (31 March 2020: HK$1,011,983,000);

(g) charges over properties held for sale in which their aggregate carrying amount as at 30 September 2020 was HK$76,783,000 (31 March 2020: HK$75,920,000);

(h) charges over the financial assets at fair value through other comprehensive income in which their aggregate carrying amount as at 30 September 2020 was HK$235,227,000 (31 March 2020: HK$232,584,000); and

(i) charges over the Group's bank deposits in amount of HK$1,071,526,000 as at 30 September 2020 (31 March 2020: HK$963,236,000).

21. Share capital

	Notes	**Number of shares** '000	**Par value** HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 30 September 2020 and 31 March 2020		20,000,000	200,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 31 March 2019 (audited)		**1,608,901**	**16,089**
Repurchased and cancelled	(i)	(4,872)	(49)
At 31 March 2020 (audited)		**1,604,029**	**16,040**
Repurchased and cancelled	(ii)	(12,156)	(121)
At 30 September 2020 (unaudited)		**1,591,873**	**15,919**

Notes:

(i) During the six month ended 30 September 2019, the Company repurchased a total of 4,872,000 ordinary shares of the Company at an aggregate cost of approximately HK$34,217,000 (excluding expenses). The highest price paid and the lowest price paid were HK$7.46 and HK$6.08 per share respectively. All repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the contributed surplus. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.

(ii) During the six month ended 30 September 2020, the Company repurchased a total of 18,142,000 ordinary shares of the Company at an aggregate cost of approximately HK$111,311,000 (excluding expenses). The highest price paid and the lowest price paid were HK$6.81 and HK$5.52 per share respectively. 12,156,000 repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the contributed surplus. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.

The remaining 5,986,000 repurchased shares with a repurchase cost of approximately HK$36,811,000 (including expenses) were held as treasury shares as at 30 September 2020.

22. Convertible bonds equity reserve

On 1 April 2020, the Company entered into a subscription agreement with Baring Private Equity Asia V Holding (5) Limited ("BPEA") (the "Proposed Subscription") pursuant to which the Company conditionally agreed to subscribe for, and BPEA conditionally agreed to issue, the exchangeable bonds (the "Exchangeable Bonds"). The consideration shall be satisfied by the Company issuing the convertible bonds to BPEA to convert into up to 44,886,521 ordinary shares of the Company ("Conversion Share") at the initial conversion price (subject to adjustment) of HK$8.05 per Conversion Share (the "Convertible Bonds"). Further details of which are disclosed in the Company's announcement dated 1 April 2020. The Proposed Subscription was completed on 8 May 2020, and the Exchangeable Bonds and the Convertible Bonds with the amounts of HK$282,190,000 were issued on 8 May 2020 accordingly.

On initial recognition, the Exchangeable Bonds were recognised in "Financial assets at fair value through other comprehensive income" and the Convertible Bonds were recognised in "Convertible bonds equity reserve". The Company has no obligation to pay any interest or other payments to the holder of the Convertible Bonds. The holder of the Convertible Bonds is free to exercise the conversion right attached thereto from the date of issue of the Convertible Bonds and up to the last day of the 31st month from the issue date thereof. As at 30 September 2020, no Convertible Bonds were exercised upon issuance.

23. 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:*

	Six months ended 30 September	
	2020 (unaudited) HK$'000	2019 (unaudited) HK$'000
Total remuneration of directors and other members of key management during the period		
– Short term employee benefits	**35,989**	35,643
– Retirement scheme contribution	**203**	336
	36,192	35,979

(b) *Sales to an associate:*

	Six months ended 30 September	
	2020 (unaudited) HK$'000	2019 (unaudited) HK$'000
Sales to an associate	**36,489**	–

The Group provided construction services of approximately HK$36,489,000 (2019: HK$Nil) to a subsidiary of Kangda International, an associate of the Group. The services were made with reference to the terms negotiated between both parties.

24. Commitments and guarantees

(i) *Capital commitments*

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

	As at	
	30 September 2020 (unaudited) HK$'000	31 March 2020 (audited) HK$'000
Contracted, but not provided for		
– Other intangible assets	**366,184**	422,944
– Property, plant and equipment	**18,981**	24,374
	385,165	447,318

(ii) Operating lease arrangement

The Group leases its investment properties under operating lease arrangements for terms ranging from one to ten 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:

	As at	
	30 September 2020 (unaudited) HK$'000	31 March 2020 (audited) HK$'000
Within one year	**29,532**	32,864
In the second to fifth years, inclusive	**22,907**	32,715
After five years	**844**	344
	53,283	65,923

(iii) As at 30 September 2020, the Group had given guarantees to the banks for mortgage loans granted to purchasers of certain subsidiaries' properties of approximately HK$924,000 (31 March 2020: HK$1,349,000).

In the opinion of the directors of the Company, the financial impact arising from the above guarantees is insignificant due to the low applicable default rate and accordingly, they are not accounted for in the consolidated financial statements.

25. Contingent liabilities

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

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF CHINA WATER AFFAIRS GROUP LIMITED
(originally incorporated in the Cayman Islands and re-domiciled in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Water Affairs Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 44 to 168, which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Accounting for the service concession arrangements
- Impairment assessment of other intangible assets and goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Accounting for the service concession arrangements	

Refer to notes 2.16, 6, 22 and 29 to the consolidated financial statements
 	
(a) Applicability of HK(IFRIC) Interpretation 12 – Service Concession Arrangements ("HK(IFRIC) Int. 12")
 	
The Group entered into a number of service concession arrangements with certain government authorities in the People's Republic of China (the "PRC") in respect of its water supply business.
 	
In preparing the consolidated financial statements for the year ended 31 March 2020, management has reassessed these service concession agreements as to whether the conditions under HK(IFRIC) Int. 12 were fulfilled such that the service concession arrangements should be accounted for in accordance with HK(IFRIC) Int. 12.
	Our procedures in relation to management's accounting for the service concession arrangements included:
	
	• Evaluating whether the service concession arrangements of previously acquired entities continually fulfil the conditions under HK(IFRIC) Int. 12 by inquiring the management and reviewing pertinent board meeting minutes;
	
	• Evaluating whether the service concession arrangements of newly acquired entities fulfil the conditions under HK(IFRIC) Int. 12 by:
	
	  • Reading the concession agreements and other relevant documents, including legal opinions, of the Group's water supply business; and
	
	  • Assessing the detailed analysis made by management on the terms of the service concession arrangements, particularly with regard to whether the Group or the grantors control the residual interests in the water supply infrastructures at the end of the service concession period, by reference to the relevant clauses in the concession agreements.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
(b) Recognition of revenue and costs relating to construction or upgrade services in connection with water supply infrastructure Revenue from construction services under the terms of the service concession agreements is estimated on a cost-plus basis with reference to a market rate of gross margin at the date of agreement applicable to similar construction services rendered in the PRC. The market rate of gross margin was determined based on the research and analysis performed by the management, with reference to the gross profit margins of market comparable companies and the management concluded that there was no significant change in the gross profit margin. We have identified the accounting for service concession arrangements as a key audit matter because of its financial significance to the consolidated financial statements. Determination of appropriate accounting for these service concession arrangements also requires use of significant judgements and estimates from management. Significant effort is required in auditing these areas.	Our procedures in relation to management's recognition of revenue and costs relating to construction or upgrade services in connection with water supply infrastructure included: • Evaluating the reasonableness of the gross profit margin adopted by the management by referencing to the analysis of the disclosure of gross profit margin of the comparable companies; and • Evaluating the appropriateness of the disclosures made in the consolidated financial statements relating to the accounting treatment of the service concession arrangements. Based on the audit procedures performed, we found that the accounting treatments for the service concession arrangements made by management to be acceptable based on the available evidence.

Independent Auditor's Report

Key Audit Matter	**How our audit addressed the Key Audit Matter**
2. Impairment assessments of other intangible assets and goodwill	

Refer to notes 2.9, 2.10, 21 and 22 to the consolidated financial statements
 	
As at 31 March 2020, the carrying amounts of other intangible assets and goodwill amounted to HK$17,558.1 million and HK$1,320.0 million respectively.
 	
Other intangible assets are subject to impairment assessments when there is an indication of impairment. Goodwill is subject to impairment assessment at least annually and when there is an indication of impairment.
 	
The Group's other intangible assets mainly relate to its city water supply operations. During the year ended 31 March 2020, management considered whether there is an indication of impairment for the Group's other intangible assets with reference to the financial performance of the respective entities as compare to their business plans.
 	
The Group's goodwill mainly relates to its city water supply, sewage treatment and drainage and gas sales operations.
 	
Management determined the recoverable amounts of the cash-generating unit based on value-in-use calculations which involve judgements and assumptions in particular on the future business growth driven by town and population planning, forecast city water and gas tariffs and sewage charges, raw water, gas and electricity costs and discount rates, etc.
 	
Based on the results of the impairment assessments, management concluded that there was no impairment of the other intangible assets and goodwill as at 31 March 2020.
	We evaluated management's assessments as to whether any indication of impairment exist in other intangible assets by:
	
	• Obtaining management's analysis of the indications of impairment and understood management's rationale for the analysis; and
	
	• Assessing management's analysis by comparing the financial performance of certain entities against their business plan.
	
	Our procedures in relation to management's impairment assessments of other intangible assets and goodwill included:
	
	• Assessing the reasonableness of the key assumptions of the value-in-use calculations by:
	
	    • Comparing the forecast against current year business result to assess if there is any inconsistency in the revenue and costs structure;
	
	    • Evaluating the future business growth with reference to the town and population planning published by the corresponding county or city government and the capacity expansion plan of the related project; and
	
	    • Evaluating the forecast city water and gas tariffs, sewage charges, raw water, gas and electricity costs with reference to the current year level, price information published by the government, estimated inflation rate and available market forecast.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
As the assessment of indication of impairment for other intangible assets, and the value-in-use calculations for impairment assessments of other intangible assets and goodwill required the use of significant judgements and estimates from management, we considered it as a key audit matter.	• Evaluating the reasonableness of the estimated value-in-use calculations and the discount rate applied; • Checking the mathematical accuracy of the value-in-use calculations; • Evaluating the sensitivity analysis performed by management on the key assumptions as stated above and assessed the potential impacts of a range of possible outcomes; and • Evaluating the appropriateness of the disclosures made in the consolidated financial statements. Based on the audit procedures performed, we found that management's assessment on whether any indication of impairment exists in respect of other intangible assets and the impairment assessments for other intangible assets and goodwill to be supportable by available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Cho Kin Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 June 2020

Consolidated Income Statement

For the year ended 31 March 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Revenue	7	**8,694,303**	8,302,211
Cost of sales		**(4,935,818)**	(4,838,372)
Gross profit		**3,758,485**	3,463,839
Other income	7	**370,563**	300,258
Selling and distribution costs		**(199,135)**	(191,436)
Administrative expenses		**(735,335)**	(655,232)
Other operating expenses		**(13,121)**	(13,067)
(Loss)/gain on disposal of subsidiaries, net	43	**(348)**	117,841
Operating profit	9	**3,181,109**	3,022,203
Finance costs	10	**(429,215)**	(319,185)
Share of results of associates	19	**412,615**	69,041
Profit before income tax		**3,164,509**	2,772,059
Income tax expense	11	**(657,220)**	(641,776)
Profit for the year		**2,507,289**	2,130,283
Profit for the year attributable to:			
Owners of the Company		**1,639,495**	1,369,235
Non-controlling interests		**867,794**	761,048
		2,507,289	2,130,283
Earnings per share for profit attributable to owners of the Company during the year		**HK cents**	HK cents
Basic		**102.12**	85.10
Diluted		**102.12**	85.10

The notes on pages 53 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

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

The notes on pages 53 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**2,224,200**	2,019,900
Prepaid land lease payments	17(a)	**–**	901,423
Right-of-use assets	17(b)	**1,297,830**	–
Investment properties	18	**1,031,042**	912,335
Interests in associates	19	**2,227,812**	676,035
Financial assets at fair value through other comprehensive income	20	**358,285**	349,225
Goodwill	21	**1,320,004**	1,220,394
Other intangible assets	22	**17,558,146**	15,293,235
Prepayments, deposits and other receivables	23	**894,863**	1,500,105
Contract assets	24	**670,545**	540,779
Receivables under service concession arrangements	29	**1,031,570**	1,079,365
		28,614,297	24,492,796
Current assets			
Properties under development	25	**1,505,720**	1,273,890
Properties held for sale	26	**751,533**	816,189
Inventories	27	**630,394**	530,990
Contract assets	24	**295,993**	233,484
Receivables under service concession arrangements	29	**62,361**	61,967
Trade and bills receivables	28	**1,324,787**	1,242,864
Financial assets at fair value through profit or loss	30	**292,135**	489,340
Due from non-controlling equity holders of subsidiaries	36	**211,072**	288,194
Due from associates	19	**13,411**	227,416
Prepayments, deposits and other receivables	23	**1,597,350**	1,549,667
Pledged deposits	31	**963,236**	644,524
Cash and cash equivalents	31	**5,640,664**	3,973,315
		13,288,656	11,331,840
Current liabilities			
Lease liabilities		**30,966**	–
Contract liabilities	32	**906,157**	648,134
Trade and bills payables	33	**3,106,708**	2,410,098
Accrued liabilities, deposits received and other payables	34	**2,482,964**	1,979,082
Due to associates	19	**121,805**	46,093
Borrowings	35	**4,090,990**	3,437,483
Due to non-controlling equity holders of subsidiaries	36	**163,642**	219,048
Provision for tax		**1,432,744**	1,278,874
		12,335,976	10,018,812
Net current assets		**952,680**	1,313,028
Total assets less current liabilities		**29,566,977**	25,805,824

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Borrowings	35	**13,298,027**	11,494,131
Lease liabilities		**335,379**	–
Contract liabilities	32	**276,453**	273,133
Due to non-controlling equity holders of subsidiaries	36	**412,979**	27,784
Deferred government grants	37	**202,213**	225,583
Deferred tax liabilities	38	**943,423**	882,723
		15,468,474	12,903,354
Net assets		**14,098,503**	12,902,470
EQUITY			
Equity attributable to owners of the Company			
Share capital	39	**16,040**	16,089
Reserves	41	**8,491,670**	7,954,377
		8,507,710	7,970,466
Non-controlling interests		**5,590,793**	4,932,004
Total equity		**14,098,503**	12,902,470

The consolidated financial statements on pages 44 to 168 were approved and authorised for issue by the board of directors on 29 June 2020 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

The notes on pages 53 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Equity attributable to owners of the Company													
	Share capital HK$'000	Proposed final dividend HK$'000	Share premium account HK$'000 (note 41)	Capital redemption reserve HK$'000 (note 41)	Contributed surplus HK$'000 (note 41)	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000 (note 41)	Other reserves HK$'000 (note 41)	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Statutory reserves HK$'000 (note 41)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2018	**16,089**	**241,335**	**995,193**	**3,064**	**117,217**	**353,809**	**96,808**	**(326,786)**	**48,617**	**354,751**	**5,317,104**	**7,217,201**	**3,985,825**	**11,203,026**
Share premium reduction	–	–	(995,193)	–	995,193	–	–	–	–	–	–	–	–	–
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	229,461	229,461
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	(33,344)	–	–	–	(33,344)	(36,619)	(69,963)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(6,346)	6,346	–	(163,992)	(163,992)
Deemed disposal of subsidiaries	–	–	–	–	–	–	–	140,102	–	–	–	140,102	336,468	476,570
Capital contribution by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	163,188	163,188
Final dividend 2018 (note 13)	–	(241,335)	–	–	–	–	–	–	–	–	–	(241,335)	–	(241,335)
Interim dividend 2019 (note 13)	–	–	–	–	(193,068)	–	–	–	–	–	–	(193,068)	–	(193,068)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(213,852)	(213,852)
Transactions with owners	**-**	**(241,335)**	**(995,193)**	**-**	**802,125**	**-**	**-**	**106,758**	**-**	**(6,346)**	**6,346**	**(327,645)**	**314,654**	**(12,991)**
Proposed final dividend 2019 (note 13)	**-**	**257,424**	**-**	**-**	**(257,424)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to statutory reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**130,788**	**(130,788)**	**-**	**-**	**-**
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,369,235	1,369,235	761,048	2,130,283
Other comprehensive (loss)/income														
– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	60,000	–	–	60,000	–	60,000
– Currency translation	–	–	–	–	–	(344,460)	–	–	–	–	–	(344,460)	(129,523)	(473,983)
– Recycling of currency translation differences upon disposal of subsidiaries	–	–	–	–	–	(3,865)	–	–	–	–	–	(3,865)	–	(3,865)
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**-**	**(348,325)**	**-**	**-**	**60,000**	**-**	**1,369,235**	**1,080,910**	**631,525**	**1,712,435**
Balance at 31 March 2019	**16,089**	**257,424**	**-**	**3,064**	**661,918**	**5,484**	**96,808**	**(220,028)**	**108,617**	**479,193**	**6,561,897**	**7,970,466**	**4,932,004**	**12,902,470**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Equity attributable to owners of the Company												
	Share capital HK$'000	Proposed final dividend HK$'000	Capital redemption reserve HK$'000 (note 41)	Contributed surplus HK$'000 (note 41)	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000 (note 41)	Other reserves HK$'000 (note 41)	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Statutory reserves HK$'000 (note 41)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2019	**16,089**	**257,424**	**3,064**	**661,918**	**5,484**	**96,808**	**(220,028)**	**108,617**	**479,193**	**6,561,897**	**7,970,466**	**4,932,004**	**12,902,470**
Share repurchase (note 39)	(49)	–	–	(34,168)	–	–	–	–	–	–	(34,217)	–	(34,217)
Share repurchase expense	–	–	–	(119)	–	–	–	–	–	–	(119)	–	(119)
Arising from acquisition of subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	–	–	202,700	202,700
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	41,657	–	–	–	41,657	(117,036)	(75,379)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(140)	(140)
Deemed disposal of subsidiaries	–	–	–	–	–	–	2,504	–	–	–	2,504	(2,504)	–
Capital contribution by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	128,173	128,173
Final dividend 2019 (note 13)	–	(257,424)	–	779	–	–	–	–	–	–	(256,645)	–	(256,645)
Interim dividend 2020 (note 13)	–	–	–	(224,564)	–	–	–	–	–	–	(224,564)	–	(224,564)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(219,313)	(219,313)
Transactions with owners	**(49)**	**(257,424)**	**–**	**(258,072)**	**–**	**–**	**44,161**	**–**	**–**	**–**	**(471,384)**	**(8,120)**	**(479,504)**
Proposed final dividend 2020 (note 13)	**–**	**256,645**	**–**	**(256,645)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to capital redemption reserve (note 41)	**–**	**–**	**49**	**–**	**–**	**–**	**–**	**–**	**–**	**(49)**	**–**	**–**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**151,917**	**(151,917)**	**–**	**–**	**–**
Profit for the year	–	–	–	–	–	–	–	–	–	1,639,495	1,639,495	867,794	2,507,289
Other comprehensive income/(loss)													
– Change in fair value of financial assets at fair value through other comprehensive income (note 20(ii))	–	–	–	–	–	–	–	2,964	–	–	2,964	–	2,964
– Currency translation	–	–	–	–	(631,759)	–	–	–	–	–	(631,759)	(200,885)	(832,644)
– Share of other comprehensive income/(loss) of an associate	–	–	–	–	–	–	3,543	(5,357)	–	–	(1,814)	–	(1,814)
– Recycling of currency translation differences upon disposal of subsidiaries	–	–	–	–	(258)	–	–	–	–	–	(258)	–	(258)
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(632,017)**	**–**	**3,543**	**(2,393)**	**–**	**1,639,495**	**1,008,628**	**666,909**	**1,675,537**
Balance at 31 March 2020	**16,040**	**256,645**	**3,113**	**147,201**	**(626,533)**	**96,808**	**(172,324)**	**106,224**	**631,110**	**8,049,426**	**8,507,710**	**5,590,793**	**14,098,503**

The notes on pages 53 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Profit before income tax		**3,164,509**	2,772,059
Adjustments for:			
Finance costs	10	**429,215**	319,185
Share of results of associates	19	**(412,615)**	(69,041)
Interest income	7	**(119,337)**	(96,487)
Dividend income from financial assets	7	**(13,566)**	(8,833)
Amortisation of deferred government grants	7	**(9,176)**	(8,158)
Depreciation of property, plant and equipment	9	**73,155**	57,013
Depreciation of right-of-use assets	9	**67,475**	–
Amortisation of prepaid land lease payments	9	**–**	23,601
Amortisation of other intangible assets	9	**479,145**	403,901
Amortisation of capitalised expenses		**46,079**	37,415
Gain on disposal of property, plant and equipment, net	9	**(7,532)**	(4,874)
Loss on disposal of investment properties		**460**	–
Property, plant and equipment written off	9	**551**	1,079
Other intangible assets written off		**–**	1,088
Bad debts written off	9	**1,427**	–
Loss/(gain) on disposal of subsidiaries, net	43	**348**	(117,841)
Fair value loss on financial assets at fair value through profit or loss		**–**	96
Gain on disposal of financial assets at fair value through profit or loss, net		**(70)**	–
Construction margin for construction and upgrade services in relation to water supply and sewage treatment infrastructure		**(325,995)**	(281,153)
Operating profit before working capital changes		**3,374,073**	3,029,050
Increase in properties under development		**(417,211)**	(264,577)
Decrease in properties held for sale		**156,523**	71,186
Increase in inventories		**(98,282)**	(181,478)
Increase in contract assets		**(227,074)**	(774,263)
Increase in receivables under service concession arrangements		**(3,895)**	(30,820)
Increase in trade and bills receivables		**(121,973)**	(213,537)
Decrease/(increase) in amounts due from non-controlling equity holders of subsidiaries		**41,610**	(20,046)
Decrease/(increase) in prepayments, deposits and other receivables		**88,431**	(689,667)
Increase in contract liabilities		**299,201**	376,151
Increase in trade and bills payables		**776,877**	767,747
Increase/(decrease) in accrued liabilities, deposits received and other payables		**389,786**	(370,877)
Cash generated from operations		**4,258,066**	1,698,869
Interest paid for bank and other loans		**(410,157)**	(319,185)
Interest paid on lease liabilities		**(19,058)**	–
Income taxes paid		**(416,000)**	(361,636)
Net cash generated from operating activities		**3,412,851**	1,018,048

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from investing activities			
Interest received		**119,337**	96,487
Dividend received from financial assets		**13,566**	8,833
Purchase of property, plant and equipment	16	**(258,689)**	(224,615)
Proceeds from disposal of property, plant and equipment		**8,129**	45,862
Purchase of right-of-use assets – land lease payments		**(63,965)**	–
Land lease payments prepaid	17(a)	**–**	(35,706)
Proceeds from disposal of right-of-use assets		**1,046**	–
Proceeds from disposal of prepaid land lease payments		**–**	6,556
Purchase of investment properties	18	**(167,126)**	(35,119)
Proceeds from disposal of investment properties		**6,956**	–
Purchase of financial assets at fair value through other comprehensive income		**(3,660)**	(13,701)
Purchase of financial assets at fair value through profit or loss		**–**	(92,306)
Proceeds from disposal of financial assets at fair value through profit or loss		**175,283**	–
Additions of water supply and sewage treatment concession rights		**(2,786,819)**	(2,338,396)
Proceeds from disposal of other intangible assets		**10,565**	–
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	42	**(31,858)**	(379,792)
Disposal of subsidiaries (net of cash and cash equivalent disposed)	43	**1,688**	(12,134)
Investments in associates		**(764,602)**	–
Proceeds from disposal of an associate		**64,304**	588
Dividends received from associates		**11,568**	44,273
Decrease in amounts due from associates		**116,009**	318,099
Increase in prepayments, deposits and other receivables		**(54,682)**	(702,380)
Deferred government grants received		**2,290**	37,294
Increase in pledged deposits		**(338,972)**	(93,646)
Net cash used in investing activities		**(3,939,632)**	(3,369,803)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Cash flows from financing activities			
Payment for repurchase of ordinary shares		**(34,336)**	–
Acquisition of additional interests in subsidiaries		**(33,364)**	(3,141)
Capital contribution by non-controlling equity holders of subsidiaries		**82,562**	635,132
Advance from/(repayment of) amounts due to non-controlling equity holders of subsidiaries		**95,410**	(298,970)
Advance from amounts due to associates		**38,587**	16,486
Repayment of lease liabilities		**(35,097)**	–
Drawdown of bank loans		**5,765,690**	7,048,707
Repayment of bank loans		**(2,889,935)**	(2,871,155)
Drawdown of other loans		**309,250**	403,120
Repayment of other loans		**(623,512)**	(686,512)
Dividend paid		**(481,209)**	(434,403)
Net cash generated from financing activities		**2,194,046**	3,809,264
Net increase in cash and cash equivalents		**1,667,265**	1,457,509
Cash and cash equivalents at beginning of year		**3,973,315**	2,511,390
Effect of foreign exchange rates, net		**84**	4,416
Cash and cash equivalents at end of year	31	**5,640,664**	3,973,315

The notes on pages 53 to 168 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. CORPORATE INFORMATION

China Water Affairs Group Limited (the "Company") was previously incorporated in the Cayman Islands as an exempted company under the Cayman Islands Companies Law with its ordinary shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed in an extraordinary general meeting held on 9 June 2003 and approved by the Registrars of Companies in the Cayman Islands and Bermuda on 9 July 2003, the Company de-registered from the Cayman Islands under Section 226 of the Companies Law and re-domiciled in Bermuda under Section 132C of the Companies Act 1981 of Bermuda as an exempted company.

The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Suite 6408, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 48 to the consolidated financial statements. The Company and its subsidiaries are together defined to as the "Group" hereafter.

These financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 29 June 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures

(a) *New standard, amendments to standards and interpretation adopted*

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

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

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

(b) *New standards and amendments to standards that have been issued but are not effective for the financial year beginning on 1 April 2019 and have not been early adopted*

The following standards and amendments to standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2020 or later periods, but the Group has not early adopted them.

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 16 (Amendments)	Leases	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of the impact of these new standard and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Business combinations (Continued)

Intra group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(e) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, which are the Group's chief operating decision-maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

(i) "City water supply operation and construction" involves the provision of water supply operation and construction services;

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

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

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

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

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

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

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

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

No asymmetrical allocations have been applied to reportable segments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income or finance costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within "administrative expenses".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the interests of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	50 years
Leasehold improvements	5 years
Plant and machinery	6 to 30 years
Furniture, equipment and motor vehicles	5 years
Vessels	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income" in the consolidated income statement.

2.7 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the term of the lease/right of use. From 1 April 2019, prepaid land lease payments were reclassified to right-of-use assets due to the adoption of HKFRS 16. This is disclosed in note 3 to the consolidated financial statements.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties (Continued)

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers or the Group. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Changes in fair values are recorded in the consolidated income statement as "fair value gain on investment properties". Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the consolidated income statement.

Where an investment property undergoes a change in use, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

For a transfer from properties under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in consolidated income statement. Transfers to investment property shall be made when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party. The commencement of an operating lease is generally an evidence of a change in use. A change in use has occurred is based on an assessment of all relevant facts and circumstances. The relevant facts include but not limited to the Group's business plan, financial resources and legal requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at not higher than operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.10 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

The Group's intangible assets (other than goodwill) represent the rights to operate sewage treatment infrastructures and water supply infrastructures in the People's Republic of China (the "PRC"). These intangible assets are amortised on a straight-line basis over the terms of operation ranging from 10 to 50 years. Both period and method of amortisation are reviewed annually.

Intangible assets with finite useful lives are tested for impairment as described in note 2.11 to the consolidated financial statements.

2.11 Impairment of non-financial assets and interests in associates

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets

2.12.1 Classification

The Group classifies its financial investments and other financial assets either those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial investments and other financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statement or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI ("FVOCI").

The group reclassifies debt investments when and only when its business model for managing those assets changes.

2.12.2 Recognition and derecognition

Regular way purchases and sales of financial investments and other financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial investments and other financial assets are derecognised when the rights to receive cash flows from the financial investments and other financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets (Continued)

2.12.3 Measurement

At initial recognition, the Group measures a financial investment and other financial asset at its fair value plus, in the case of financial investments and other financial assets not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial investments and other financial assets. Transaction costs of financial investments and other financial assets carried at FVPL are expensed in consolidated income statement.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial investments and other financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial investments and other financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial investment and other financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement and recognised in other gains/(losses). Interest income from these financial investments and other financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in administrative expenses and impairment expenses are presented as separate line item in the consolidated income statement.

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statement in the period in which it arises.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets (Continued)

2.12.3 Measurement (Continued)

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial investments and other financial assets at FVPL are presented as separate line item in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.12.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

– actual or expected significant adverse changes in external credit rating of the debtors;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet their obligations;

– actual or expected significant changes in the operating results of the debtors;

– significant increases in credit risk on other financial instruments of the same debtor; and

– significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors and changes in the operating results of the debtors.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets (Continued)

2.12.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Further information about the Group's accounting for trade receivables and the Group's impairment policies are described in note 2.12.4 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Service concession arrangements

Service concession arrangements are accounted for as follows if:

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangements is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement is recognised at its fair value as a financial asset or an intangible asset.

A financial asset (receivable under service concession arrangements) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure to be constructed meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangements) is accounted for in accordance with the policy set out for "Financial investments and other financial assets" in note 2.12 to the consolidated financial statements.

An intangible asset (other intangible assets) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (other intangible assets) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" in note 2.10 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Service concession arrangements (Continued)

Consideration received or receivable by the Group for the construction services (Continued)

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components are recognised initially at fair value of the consideration received or receivable.

Construction or upgrade services

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion and in the amount recognised under service concession agreements. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion" method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the consolidated statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

The fair value of the construction and upgrade services under the concession arrangement is calculated as the estimated total construction cost plus a profit margin. The profit margins are valued by an independent qualified valuer, based on prevailing market rate applicable to similar construction services rendered in similar location at date of agreement.

Revenue relating to construction or upgrade services are accounted for in accordance with the policy set out for "Revenue recognition" in note 2.25 to the consolidated financial statements.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" in note 2.25 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Service concession arrangements (Continued)

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the water supply infrastructures and sewage treatment infrastructures it operates to a specified level of serviceability and/or (b) to restore the infrastructures to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the water supply infrastructures and sewage treatment infrastructures are recognised and measured in accordance with the policy set out for "Provisions" in note 2.19 to the consolidated financial statements.

2.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to assets are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.19 Provisions

Provisions for environmental restoration, restructuring costs, and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Leases

The Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in this section and the impact of the change in note 3 to the consolidated financial statements.

Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 44). Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated income statement on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Leases (Continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Trade payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. This may be at a single point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- when the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions are met, the Group recognises revenue at a single point in time at which the performance obligation is satisfied for the sale of that good or service when control has been passed. If control of the product or service transfers over time, revenue is recognised over the period of the contract by measuring the progress towards complete satisfaction of that performance obligation. Revenue is recognised as follows:

(i) Revenues from the city water supply and gas sales are recognised at the point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the water and gas and the Group has present right to payment and the collection of the consideration is probable;

(ii) Revenue from long-term construction contracts is recognised over time by reference to the progress towards complete satisfaction of the service. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract;

(iii) Revenue from sewage treatment and drainage operation is recognised over the period when the services are rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customer;

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(iv) Water supply related construction income and sewage treatment construction income is recognised over time when services are rendered;

(v) Revenue from sale of properties is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property;

(vi) Sales of goods is recognised at the point in time when the control of the product is transferred to the customer which generally coincides with delivery and acceptance of the product sold;

(vii) Revenue from hotel services is recognised based on the period in which such services have been rendered;

(viii) Rental income receivable from operating lease is recognised in consolidated income statement on a straight-line basis over the period covered by the lease term;

(ix) Finance income on receivables under service concession arrangements is recognised using the effective interest method;

(x) Handling income is recognised when services are rendered;

(xi) Interest income is recognised on a time-proportion basis using the effective interest method; and

(xii) Dividends received from financial investments and other financial assets are recognised when the right to receive payment is established.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Employee benefits

The Group operates various post-employment schemes, including both retirement benefits schemes and short-term employee benefits.

(i) *Retirement benefits schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central retirement benefit scheme operated by the local municipal or provincial government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central retirement benefit scheme. The Group has no further payment obligations once the contributions have been paid.

(ii) *Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

2.27 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) as control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

On lapse of share options according to the plan, corresponding amount recognised in employees' share-based compensation reserve is transferred to retained earnings.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.30 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

2.31 Contract assets and contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2020

3. CHANGES IN ACCOUNTING POLICIES

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

As indicated in note 2.1 to the consolidated financial statements above, the Group has adopted HKFRS 16 Leases retrospectively from 1 April 2019, but has not restated comparative information for the 2019 reporting period, as permitted under the specific transition provisions under HKFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the consolidated statement of financial position on 1 April 2019. The new accounting policies are disclosed in note 2.20 to the consolidated financial statements.

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

(i) Practical expedients applied

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) Measurement of lease liabilities

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

(iii) Measurement of right-of-use assets

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

(iv) Adjustments recognised in the consolidated statement of financial position on adoption of HKFRS 16 on 1 April 2019

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(iv) Adjustments recognised in the consolidated statement of financial position on adoption of HKFRS 16 on 1 April 2019 (Continued)

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

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

(v) Lessor accounting

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

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Credit risk

The Group's credit risk is primarily attributable to financial instruments, contractual cash flows of debt instruments carried at fair value through profit or loss, receivables under service concession arrangements, trade and bill receivables, contract assets, deposits and other receivables, due from non-controlling equity holders of subsidiaries, due from associates and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored and controlled on an ongoing basis. It considers available reasonable and supportive forward-looking information.

The Group's cash and cash equivalents and pledged deposits are placed in reputable financial institutions with sound credit ratings assigned by international credit rating agencies. Management believes there is no significant credit risk of loss on such assets.

For receivables under service concession arrangements, the customers are primarily local governments or PRC state-owned entities and management considers the credit risk is not high.

The credit risk of the Group's other financial assets, which mainly comprise deposits and other receivables, due from non-controlling equity holders of subsidiaries and due from associates, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Management considers that their credit risks have not increased significantly since initial recognition as each of the counterparties have no history of default and possess strong capability to meet contractual cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

The Group is also exposed to credit risk in relation to debt instruments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

Impairment allowance policies for trade and bills receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables and contract assets from initial recognition. To measure the expected credit losses, trade and bills receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

Management performed a detailed assessment of expected credit losses on the date of adoption of HKFRS 9 and concluded that there was no material impact on the Group's impairment allowance.

Impairment losses on trade and bills receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. During the year, no provision for impairment loss on trade and bills receivables and contract assets was recognised in consolidated income statement in relation to impaired financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(b) *Foreign currency risk*

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The PRC subsidiaries of the Group's exposure to currency exchange rate is minimal as majority of the subsidiaries of the Group operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB"), which are same as their functional currency.

Further, the Group has cash and cash equivalents and bank borrowings denominated in US$. Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

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 and assets.

(c) *Interest rate risk*

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk mainly arises from bank deposits and borrowings which bore floating interests. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points at the end of the year and all other variables were held constant, the Group's profit after income tax and equity would decrease/increase by approximately HK$107,851,000 (2019: HK$103,138,000) respectively.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rate over the next twelve month period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(d) Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

Financial assets at FVPL and financial assets at FVOCI expose the Group to price risk.

The Group's investments in listed equity securities are primarily listed on the stock exchanges of Hong Kong.

Sensitivity analysis

If the price of FVPL had been increased/decreased by 10% at the end of the year and all other variables ware held constant, the Group's profit after income tax and equity would increase/decrease by approximately HK$29,214,000 (2019: HK$48,934,000) respectively.

If the price of FVOCI had been increased/decreased by 10% at the end of the year and all other variables were held constant, the Group's equity would increase/decrease by approximately HK$35,829,000 (2019: HK$34,923,000) respectively.

The assumed changes in fair value are considered to be reasonably possible based on observation of current market conditions and represent management's assessment of a reasonably possible change in fair value over the next twelve month period.

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and meet its short-term and long-term funding requirements. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

The maturity profile of the Group's financial liabilities as at the reporting dates, based on the contracted undiscounted payments, was as follows:

	On demand HK$'000	Less than three months HK$'000	Three to twelve months HK$'000	Over one year HK$'000	Total HK$'000
At 31 March 2020					
Lease liabilities	–	5,976	28,964	494,415	529,355
Trade and bills payables	1,257,948	616,242	1,232,518	–	3,106,708
Other payables	1,072,743	493,898	436,862	–	2,003,503
Accrued liabilities	239,625	170,899	22,909	–	433,433
Due to associates	27,709	19,581	74,515	–	121,805
Borrowings	124,563	761,304	3,350,907	16,335,549	20,572,323
Due to non-controlling equity holders of subsidiaries	95,960	511	67,171	424,641	588,283
	2,818,548	2,068,411	5,213,846	17,254,605	27,355,410

Notes to the Consolidated Financial Statements
For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

	On demand HK$'000	Less than three months HK$'000	Three to twelve months HK$'000	Over one year HK$'000	Total HK$'000
At 31 March 2019					
Trade and bills payables	1,046,026	490,550	873,522	–	2,410,098
Other payables	832,232	363,314	344,037	–	1,539,583
Accrued liabilities	203,515	157,791	13,679	–	374,985
Due to associates	26,093	20,000	–	–	46,093
Borrowings	120,791	612,673	2,795,807	14,133,264	17,662,535
Due to non-controlling equity holders of subsidiaries	173,424	–	45,624	34,617	253,665
	2,402,081	1,644,328	4,072,669	14,167,881	22,286,959

For term loans which contain a repayment on demand clause that can be exercised at the bank's sole discretion, the analysis above shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

Taking into account the Group's financial position, the directors of the Company do not consider it probable that the bank will exercise its discretion to demand repayment earlier than the scheduled payment dates. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements.

(f) Fair value measurements recognised in the consolidated statement of financial position

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, contract assets, receivables under service concession arrangements, deposits and other receivables, amounts due from/(to) associates and non-controlling equity holders of subsidiaries, pledged deposits, cash and cash equivalents, trade and bills payables, lease liabilities, contract liabilities, other payables, accrued liabilities and borrowings. The directors consider the carrying amounts of the balances approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (Continued)

(ii) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

Fair value hierarchy

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).

At 31 March 2020, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through other comprehensive income	**8,799**	**–**	**349,486**	**358,285**
Financial assets at fair value through profit or loss	**–**	**–**	**292,135**	**292,135**
	8,799	**–**	**641,621**	**650,420**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (Continued)

(ii) Financial instruments measured at fair value (Continued)

Fair value hierarchy (Continued)

At 31 March 2019, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through other comprehensive income	13,701	–	335,524	349,225
Financial assets at fair value through profit or loss	692	–	488,648	489,340
	14,393	–	824,172	838,565

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.

Information about Level 3 fair value measurement

The fair value of financial assets at FVOCI 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 FVPL comprise financial products with licensed banks in the PRC. The Group used income method of discounted cash flows to determine its fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (Continued)

(ii) Financial instruments measured at fair value (Continued)

Information about Level 3 fair value measurement (Continued)

The movements of Level 3 instruments during the year are as follows:

	2020 **HK$'000**	2019 HK$'000
Financial assets at fair value through other comprehensive income:		
At beginning of the financial year	**335,524**	211,364
Residual interest in a subsidiary disposed of	**–**	65,786
Changes in fair value recognised in other comprehensive income	**7,866**	60,000
Acquisition of subsidiaries (note 42)	**56**	4,118
Additions	**21,120**	–
Exchange realignment	**(15,080)**	(5,744)
At end of the financial year	**349,486**	335,524
Financial assets at fair value through profit or loss:		
At beginning of the financial year	**488,648**	396,342
Net (disposal)/purchase of financial assets at fair value through profit or loss	**(196,513)**	92,306
At end of the financial year	**292,135**	488,648

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(g) Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

Financial assets

	2020 **HK$'000**	2019 HK$'000
At amortised cost		
– Trade and bills receivables	**1,324,787**	1,242,864
– Contract assets	**966,538**	774,263
– Receivables under service concession agreements	**1,093,931**	1,141,332
– Other receivables	**1,831,368**	2,400,856
– Due from associates	**13,411**	227,416
– Due from non-controlling equity holders of subsidiaries	**211,072**	288,194
	5,441,107	6,074,925
– Cash and cash equivalents and pledged deposits	**6,603,900**	4,617,839
	12,045,007	10,692,764
At fair value		
– Financial assets at fair value through other comprehensive income	**358,285**	349,225
– Financial assets at fair value through profit or loss	**292,135**	489,340
	12,695,427	11,531,329

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(g) Categories of financial assets and liabilities (Continued)

Financial liabilities

	2020 HK$'000	2019 HK$'000
At amortised cost		
– Lease liabilities	**366,345**	–
– Contract liabilities	**1,182,610**	921,267
– Trade and bills payables	**3,106,708**	2,410,098
– Other payables	**2,003,503**	1,539,583
– Accrued liabilities	**433,433**	374,985
– Due to associates	**121,805**	46,093
– Borrowings	**17,389,017**	14,931,614
– Due to non-controlling equity holders of subsidiaries	**576,621**	246,832
	25,180,042	20,470,472

(h) Capital management

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and owners' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

No changes were made in the objectives, policies or processes during the current and previous years. The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or raise new debts, or sell assets to reduce debt.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(h) Capital management (Continued)

The capital-to-overall financing ratio at the reporting date was as follows:

	2020 HK$'000	2019 HK$'000
Capital		
Total equity	**14,098,503**	12,902,470
Overall financing		
Borrowings	**17,389,017**	14,931,614
Due to associates	**121,805**	46,093
Due to non-controlling equity holders of subsidiaries	**576,621**	246,832
	18,087,443	15,224,539
Capital-to-overall financing ratio	**0.78 times**	0.85 times

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Depreciation and amortisation

The Group depreciates the property, plant and equipment and the right-of-use assets, and amortises the intangible assets (other than goodwill) in accordance with the accounting policies stated in notes 2.6, 2.20 and 2.10 to the consolidated financial statements respectively. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

(ii) Allowance for and written off of irrecoverable receivables

The Group records impairment of trade receivables based on an assessment made by management on the expected credit losses ("ECL") of trade and other receivables. The evaluations focused on the counterparties' settlement history, current ability to pay, forecasts future economic conditions, and took into account information specific to the counterparties as well as pertaining to the economic environment in which the counterparties operated. Provisions are made where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgement and estimates. The Group would revisit and evaluate those assumptions related with ECL model periodically.

(iii) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.9 to the consolidated financial statements. The recoverable amounts of CGUs or group of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates. Management estimates the expected future cash flows from the CGUs or group of CGUs and determines a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Impairment of non-financial assets (other than goodwill) and interests in associates

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than goodwill) and interests in associates at each reporting date. These assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Fair value measurement

A number of assets and liabilities of the Group require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

The classification of an item is based on the lowest level of the input used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

– investment properties (note 18);

– financial assets at fair value through profit or loss (note 30); and

– financial assets at fair value through other comprehensive income (note 20).

There is significant estimation in relation to the valuation of the items above. Detailed information in relation to the fair value measurement of the items above is set out in note 4.1 to the consolidated financial statements.

(vi) Construction contracts

As stated in note 2.16 to the consolidated financial statements, revenue and profit recognition on an uncompleted project (including the Group's Build-Operate-Transfer (the "BOT arrangements")) are dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. However, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts record to date.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vii) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(viii) Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to their understanding on the tax rules.

(ix) Service concession arrangements

The Group uses judgement to assess whether an agreement and the relevant assets fall into the scope of HK(IFRIC) - Int 12 in particular whether the Group or the grantors control the residual interest in the infrastructure at the end of service concession period. As explained in note 2.16 to the consolidated financial statements, the Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public-to-private concession arrangement. However, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future income generated from these infrastructure over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Group's management based on their experience and assessment on current and future market condition.

The fair value of the construction and upgrade services under the service concession arrangements is calculated as the estimated total construction cost plus a profit margin. The profit margins are assessed by the Group, based on prevailing market rate applicable to similar construction services rendered. Revenue and costs relating to construction or upgrade services are accounted for in accordance with the accounting policy in note 2.16 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

6. SERVICE CONCESSION ARRANGEMENTS

The Group entered into a number of service concession arrangements with certain government authorities in the PRC on a BOT or Transfer-Operate-Transfer (the "TOT") basis in respect of its water supply and sewage treatment businesses. These service concession arrangements generally involve the Group as an operator (i) constructing water supply and sewage treatment infrastructures for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; and (iii) operating and maintaining the water supply and sewage treatment infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 10 to 55 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant Service Concession Periods at prices stipulated through a pricing mechanism.

The Group is generally entitled to use all of the property, plant and equipment of the water supply and sewage treatment infrastructures, however, the relevant governmental authorities as grantors will control and regulate the scope of services the Group must provide with the water supply and sewage treatment infrastructures, and retain the beneficial entitlement to any residual interest in the water supply and sewage treatment infrastructures at the end of the term of the Service Concession Periods.

Each of these service concession arrangements is governed by a contract and, where applicable, supplemental agreements entered into between the Group and the relevant governmental authorities in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the water supply and sewage treatment infrastructures to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

As at 31 March 2020, the Group had over eighty service concession arrangements on water supply and sewage treatment businesses in the PRC and a summary of the major terms of these service concession arrangements are set out as follows:

Nature of business	Location	Type of service concession arrangement	Practical processing capacity per day (m^3)	Service concession period
Water supply	PRC	TOT/BOT	3,000 – 700,000	1998 – 2065
Sewage treatment	PRC	TOT/BOT	10,000 – 120,000	2006 – 2047

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. REVENUE AND OTHER INCOME

The Group's principal activities are disclosed in notes 1 and 48 to these consolidated financial statements.

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

	2020 HK$'000	2019 HK$'000
Revenue:		
Water supply operation services	**2,403,111**	2,213,932
Water supply connection income	**1,618,953**	1,441,064
Water supply construction services	**3,081,211**	2,630,500
Sewage treatment and drainage operation services	**334,231**	319,506
Sewage treatment and water environmental renovation construction services	**613,719**	1,086,107
Sales of properties	**200,229**	250,991
Sales of goods	**33,682**	14,282
Hotel and rental income	**91,488**	102,106
Finance income	**45,972**	37,770
Handling income	**32,323**	29,568
Others	**239,384**	176,385
Total	**8,694,303**	8,302,211
Other income:		
Interest income	**119,337**	96,487
Government grants and subsidies#	**181,617**	143,234
Amortisation of deferred government grants (note 37)	**9,176**	8,158
Gain on disposal of property, plant and equipment, net	**7,532**	4,874
Dividend income from financial assets (note 20(ii))	**13,566**	8,833
Miscellaneous income	**39,335**	38,672
Total	**370,563**	300,258

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. SEGMENT INFORMATION

The executive directors have identified the Group's three product and service lines as reportable segments as further described in note 2.4 to the consolidated financial statements.

These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

For the year ended 31 March 2020

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

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For the year ended 31 March 2020

8. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2020 (Continued)

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2019

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

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For the year ended 31 March 2020

8. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2019 (Continued)

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

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

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.

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For the year ended 31 March 2020

9. OPERATING PROFIT

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

	2020 HK$'000	2019 HK$'000
Cost of sales	**4,935,818**	4,838,372
Depreciation of property, plant and equipment	**73,155**	57,013
Depreciation of right-of-use assets	**67,475**	–
Amortisation of prepaid land lease payments	**–**	23,601
Amortisation of other intangible assets	**479,145**	403,901
Operating leases in respect of		
– leasehold land and buildings	**3,581**	23,072
– other property, plant and equipment	**3,206**	28,376
Auditors' remuneration		
– Audit services	**8,830**	7,430
– Non-audit services	**310**	50
Staff costs (including directors' emoluments – note 14(a)):		
Salaries and wages	**801,213**	727,941
Pension scheme contribution	**129,682**	133,334
	930,895	861,275
Gain on disposal of property, plant and equipment, net	**(7,532)**	(4,874)
Property, plant and equipment written off	**551**	1,079
Bad debts written off	**1,427**	–
Net foreign exchange loss	**19,308**	5,397

10. FINANCE COSTS

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

Note: The borrowing costs have been capitalised at rates ranging from 2.05% to 7.50% for the year ended 31 March 2020 (2019: 2.28% to 7.50%).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

11. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	Note	2020 HK$'000	2019 HK$'000
Current income tax:			
– the PRC	(b)	**569,223**	638,021
Deferred tax (note 38)		**87,997**	3,755
Total income tax expense		**657,220**	641,776

(a) The Company was originally incorporated in the Cayman Islands and re-domiciled in Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and, accordingly, is exempted from payment of the Bermuda income tax.

(b) The provision for PRC current income tax is based on a statutory income tax rate of 25% (2019: 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 15% (2019: 15%) of their assessable income.

(c) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding income tax at a tax rate of 5% or 10%.

The tax on the Group's profit before tax differs from theoretical amount that would arise using tax rate of the Company as follows:

	2020 HK$'000	2019 HK$'000
Profit before income tax	**3,164,509**	2,772,059
Tax calculated at Hong Kong profits tax rate of 16.5% (2019: 16.5%)	**522,144**	457,390
Effect of different tax rates of subsidiaries operating in other jurisdictions	**320,702**	237,860
Tax effect of non-taxable items	**(143,040)**	(28,079)
Tax effect of non-deductible items	**110,052**	81,598
Tax concession	**(156,537)**	(79,568)
LAT	**–**	(44,014)
Tax effect of LAT	**–**	11,003
Others	**3,899**	5,586
Income tax expense	**657,220**	641,776

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For the year ended 31 March 2020

12. EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$1,639,495,000 (2019: HK$1,369,235,000) and the weighted average of 1,605,481,000 (2019: 1,608,901,000) ordinary shares in issue during the year.

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

13. DIVIDENDS

(a) Dividends attributable to the year

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

The final dividends proposed after the reporting date for the year ended 31 March 2020 and 2019 were not recognised as a liability at the reporting date. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.

(b) Dividends attributable to the previous financial year, approved and paid during the year

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

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

(c) Dividends recognised as distributions during the year ended 31 March 2020 amounted to HK$481,209,000 (2019: HK$434,403,000) or HK$0.30 (2019: HK$0.27) per ordinary share.

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For the year ended 31 March 2020

14. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 March 2020:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors							
Mr. Duan Chuan Liang	–	10,000	12,000	–	18	18	22,036
Ms. Ding Bin	–	480	1,000	–	18	600	2,098
Ms. Liu Yu Jie	–	2,400	2,000	–	18	–	4,418
Mr. Li Zhong	–	1,289	1,400	–	18	1,185	3,892
Mr. Duan Jerry Linnan (appointed with effect from 15 October 2019)	–	110	–	–	8	440	558
Non-executive directors							
Mr. Zhao Hai Hu	–	120	–	–	–	543	663
Mr. Zhou Wen Zhi	–	120	–	–	–	–	120
Mr. Makoto Inoue	–	60	–	–	–	–	60
Ms. Wang Xiaoqin	–	1,180	1,000	–	18	778	2,976
Independent non-executive directors							
Mr. Chau Kam Wing	348	–	–	–	–	–	348
Mr. Siu Chi Ming	300	–	–	–	–	–	300
Ms. Ho Ping	159	–	–	–	–	–	159
Ms. Zhou Nan (appointed with effect from 22 November 2019)	108	–	–	–	–	–	108
Mr. Chan Wai Cheung Admiral (appointed with effect from 15 January 2020)	64	–	–	–	–	–	64
Mr. Ong King Keung (resigned with effect from 22 November 2019)	193	–	–	–	–	–	193
Total	1,172	15,759	17,400	–	98	3,564	37,993

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14. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 March 2019:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors							
Mr. Duan Chuan Liang	–	10,000	12,000	–	18	17	22,035
Ms. Ding Bin	–	480	1,000	–	18	624	2,122
Ms. Liu Yu Jie	–	2,400	2,000	–	18	–	4,418
Mr. Li Zhong	–	1,289	1,400	–	18	1,532	4,239
Non-executive directors							
Mr. Zhao Hai Hu	–	120	–	–	–	558	678
Mr. Zhou Wen Zhi	–	120	–	–	–	–	120
Mr. Makoto Inoue	–	60	–	–	–	–	60
Ms. Wang Xiaoqin	–	960	1,000	–	18	897	2,875
Independent non-executive directors							
Mr. Chau Kam Wing	348	–	–	–	–	–	348
Mr. Ong King Keung	300	–	–	–	–	–	300
Mr. Siu Chi Ming	300	–	–	–	–	–	300
Ms. Ho Ping	120	–	–	–	–	–	120
Total	1,068	15,429	17,400	–	90	3,628	37,615

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14. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(b) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2019: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2019: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: Nil).

(e) Directors' material interests in transactions, arrangements and contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: Nil).

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For the year ended 31 March 2020

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The five highest paid individuals in the Group during the year included four directors (2019: four directors), details of whose emoluments have been disclosed in note 14(a) to the consolidated financial statements above. The emoluments paid to the remaining individual during the year are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and other benefits	**2,823**	3,053
Retirement scheme contribution	**92**	105
	2,915	3,158

The emoluments fell within the following bands:

	2020	2019
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1

During the years ended 31 March 2020 and 2019, no emoluments were paid by the Group to the directors and five highest paid employees of the Group as an inducement to join the Group or upon joining the Group or as compensation for loss of office. No directors waived emoluments in respect of the years ended 31 March 2020 and 2019.

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, equipment and motor vehicles HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2018							
Cost	676,957	47,127	154,171	240,685	30,084	905,852	2,054,876
Accumulated depreciation	(57,363)	(28,809)	(84,413)	(166,389)	(22,873)	–	(359,847)
Net carrying amount	619,594	18,318	69,758	74,296	7,211	905,852	1,695,029
Year ended 31 March 2019							
Opening net carrying amount	619,594	18,318	69,758	74,296	7,211	905,852	1,695,029
Additions	7,394	–	35,523	19,217	–	162,481	224,615
Acquisition of subsidiaries	87,795	–	179,813	8,699	–	120,508	396,815
Disposals	(35,433)	–	(2,756)	(1,865)	(934)	–	(40,988)
Disposal of subsidiaries	(23,605)	–	(7,555)	(1,964)	(6,023)	(98,505)	(137,652)
Written off	–	–	(73)	(1,006)	–	–	(1,079)
Transfers	36,775	–	12,499	–	–	(49,274)	–
Transfer from properties under development (note 25)	2,995	–	–	–	–	–	2,995
Depreciation	(20,848)	(252)	(13,184)	(22,729)	–	–	(57,013)
Exchange realignment	(24,864)	(646)	(2,460)	(2,627)	(254)	(31,971)	(62,822)
Closing net carrying amount	649,803	17,420	271,565	72,021	–	1,009,091	2,019,900
At 31 March 2019							
Cost	722,188	45,464	374,258	245,035	–	1,009,091	2,396,036
Accumulated depreciation	(72,385)	(28,044)	(102,693)	(173,014)	–	–	(376,136)
Net carrying amount	649,803	17,420	271,565	72,021	–	1,009,091	2,019,900
Year ended 31 March 2020							
Opening net carrying amount	**649,803**	**17,420**	**271,565**	**72,021**	**–**	**1,009,091**	**2,019,900**
Additions	**1,352**	**–**	**10,561**	**33,430**	**–**	**213,346**	**258,689**
Acquisition of subsidiaries (note 42)	**6,428**	**–**	**109,177**	**980**	**–**	**35**	**116,620**
Disposals	**(10)**	**–**	**–**	**(587)**	**–**	**–**	**(597)**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**(393)**	**(393)**
Written off	**(23)**	**–**	**–**	**(528)**	**–**	**–**	**(551)**
Transfers	**117,052**	**–**	**10,279**	**–**	**–**	**(127,331)**	**–**
Depreciation	**(23,864)**	**(79)**	**(26,297)**	**(22,915)**	**–**	**–**	**(73,155)**
Capital injection	**–**	**–**	**–**	**2,520**	**–**	**–**	**2,520**
Exchange realignment	**(34,215)**	**(897)**	**(14,732)**	**(3,802)**	**–**	**(45,187)**	**(98,833)**
Closing net carrying amount	**716,523**	**16,444**	**360,553**	**81,119**	**–**	**1,049,561**	**2,224,200**
At 31 March 2020							
Cost	**809,456**	**43,306**	**483,865**	**263,212**	**–**	**1,049,561**	**2,649,400**
Accumulated depreciation	**(92,933)**	**(26,862)**	**(123,312)**	**(182,093)**	**–**	**–**	**(425,200)**
Net carrying amount	**716,523**	**16,444**	**360,553**	**81,119**	**–**	**1,049,561**	**2,224,200**

As at 31 March 2020, the property, plant and equipment with a net carrying amount of HK$92,164,000 (2019: HK$798,255,000) were pledged to secure banking facilities granted to the Group (note 35(i)(d)).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

17(a). PREPAID LAND LEASE PAYMENTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net carrying amount are analysed as follows:

	2020 **HK$'000**	2019 HK$'000
At 1 April		
Cost	**1,012,681**	930,701
Accumulated amortisation	**(111,258)**	(92,342)
Net carrying amount	**901,423**	838,359
For the year ended		
Opening net carrying amount	**901,423**	838,359
Reclassification to right-of-use assets on adoption of HKFRS 16 (note 3)	**(901,423)**	–
Additions	**–**	35,706
Acquisition of subsidiaries	**–**	95,295
Disposals	**–**	(6,556)
Disposals of subsidiaries	**–**	(10,407)
Amortisation	**–**	(23,601)
Exchange realignment	**–**	(27,373)
Closing net carrying amount	**–**	901,423
At 31 March		
Cost	**–**	1,012,681
Accumulated amortisation	**–**	(111,258)
Net carrying amount	**–**	901,423

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17(b). RIGHT-OF-USE ASSETS

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

As at 31 March 2020, it was included in the leasehold land and land use right with a net carrying amount of HK$99,502,000 (2019: prepaid land lease payments of HK$48,988,000) for which the Group is still in the process of obtaining the land use rights certificates. In the opinion of the directors of the Company, the Group has obtained the rights to use these land. As confirmed by the Group's legal advisors in previous year and based on the Group's assessment for the year ended 31 March 2020, there is no legal impediment for the Group to obtain these land use rights certificates.

As at 31 March 2020, the leasehold land and land use right with a net carrying amount of HK$177,438,000 (2019: prepaid land lease payments of HK$336,809,000) were pledged to secure banking facilities granted to the Group (note 35(i)(e)).

The Group leases various leasehold land, properties and plant and machinery. Rental contracts are typically made for fixed periods ranging from one year to twenty years in average.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Additions to the right-of-use assets during the year ended 31 March 2020 were HK$256,656,000.

During the year ended 31 March 2020, total cash outflow for leases of HK$35,097,000 was included in net cash generated from financing activities.

The expense relating to short-term leases, depreciation charge for leasehold land and land use right and buildings amounted to HK$6,787,000, HK$33,157,000 and HK$34,318,000 respectively have been included in cost of sales, selling and distribution costs and administrative expenses in the consolidated income statement.

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18. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At fair value		
Opening net carrying amount	**912,335**	909,310
Additions	**167,126**	35,119
Disposal	**(7,416)**	–
Exchange realignment	**(41,003)**	(32,094)
Closing net carrying amount	**1,031,042**	912,335

As at 31 March 2020, the investment properties with a carrying amount of HK$301,011,000 (2019: HK$315,176,000) were pledged to secure banking facilities granted to the Group (note 35(i)(f)).

Investment properties were revalued on 31 March 2020 by RHL Appraisal Limited, independent firm of professional valuer or by the Group.

Residential properties and leasehold land located in the PRC are held within a business model that the Group sells the properties on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the value. Valuations were based on market evidence of recent transaction prices for similar properties and adjusted for the differences.

Industrial properties under development located in the PRC are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use.

The fair value of investment properties is a level 3 recurring fair value measurement.

Fair value is determined by applying the direct comparison approach by making reference to the comparable sales transactions as available in the markets, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties.

Notes to the Consolidated Financial Statements
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18. INVESTMENT PROPERTIES (Continued)

The following table shows the significant unobservable inputs used in the valuation model.

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties under development located in the PRC	Level 3	Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK$9,392 to HK$9,912 (2019: HK$8,862 to HK$11,646)	The higher the price, the higher the fair value
Residential properties located in the PRC	Level 3	Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK$72,452 to HK$74,645 (2019: HK$74,749 to HK$79,172)	The higher the price, the higher the fair value
Leasehold land located in the PRC	Level 3	Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK$433 to HK$758 (2019: HK$478 to HK$782)	The higher the price, the higher the fair value

There were no changes to the valuation techniques adopted during the year as compared to prior year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

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19. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Share of net assets	**2,058,312**	515,655
Goodwill	**169,500**	160,380
	2,227,812	676,035

All the balances for amounts due from/(to) associates were unsecured, interest-free and repayable on demand as at 31 March 2020 and 2019 except for as follows:

As at 31 March 2020

(a) The amounts due to associates with carrying amount of HK$21,427,000 which bore interest rate ranged from 5.0% to 8.0% per annum and repayable within one year.

As at 31 March 2019

(a) The amounts due to associates with carrying amount of HK$2,480,000 which bore interest rate ranged from 6.0% to 8.0% per annum and repayable on demand.

(b) The amount due to an associate with carrying amount of HK$20,000,000 which bore interest rate at 5.0% per annum and was repayable within one year.

During the year ended 31 March 2020, the Group acquired 600,000,000 ordinary shares of Kangda International Environmental Company Limited ("Kangda International") at the price of HK$2.00 per share, representing its 29.52% equity interest, at a total consideration of HK$1,200,000,000. The shares of Kangda International are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (stock code: 6136) and it was accounted for as an associate of the Group since 4 April 2019. In the opinion of the directors, Kangda International is considered the principal associate of the Group.

Kangda International has a financial year ending 31 December. There were no material transactions carried out by Kangda International from 1 January 2020 to 31 March 2020.

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19. INTERESTS IN ASSOCIATES (Continued)

Summary of financial information for Kangda International and its subsidiaries

	2020 HK$'000
As at 31 December 2019	
Summary of consolidated statement of financial position:	
Current assets	5,608,333
Non-current assets	13,154,016
Current liabilities	(7,058,568)
Non-current liabilities	(6,541,813)
	5,161,968
Less: Non-controlling interests of Kangda International's subsidiaries	(223,652)
Closing net assets	4,938,316
Group's share in %	29.52%
Reconciliation to carrying amount:	
Purchase consideration – settled by cash	1,200,000
Gain on bargain purchase	214,776
Fair value of net identified assets acquired	1,414,776
Share of profit for the period	108,415
Share of other comprehensive loss for the period	(1,814)
Other reconciliation items	(63,586)
Carrying values	1,457,791
Period ended 31 December 2019	
Summary of consolidated statement of profit or loss and other comprehensive income:	
Revenue	2,478,643
Net profit for the period	367,260
Other comprehensive loss for the period	(6,145)
Total comprehensive income for the period	361,115

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19. INTERESTS IN ASSOCIATES (Continued)

The aggregated amounts of the following financial information of the Group's associates, which are individually immaterial, attributable to the Group using equity method is summarised as follows:

	2020 HK$'000	2019 HK$'000
Carrying values	**770,021**	676,035
Profit before income tax	**89,424**	69,041
Other comprehensive income	**–**	–
Total comprehensive income	**89,424**	69,041

The Group has not incurred any contingent liabilities relating to its investments in the associates.

As at 31 March 2020 and 2019, the Group has other commitments relating to its investments in the associate as set out in note 44(c) to the consolidated financial statements.

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For the year ended 31 March 2020

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Original currency	2020 HK$'000	2019 HK$'000
Listed equity securities in Hong Kong	HK$	**8,799**	13,701
Unlisted equity securities outside Hong Kong	RMB	**349,486**	335,524
		358,285	349,225

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

During the year, the following gain was recognised in consolidated income statement and other comprehensive income.

	2020 HK$'000	2019 HK$'000
Change in fair value of financial assets at fair value through other comprehensive income	**2,964**	108,617
Dividend income from financial assets (note 7)	**13,566**	8,833

(iii) Non-current assets pledged as security

As at 31 March 2020, the financial assets at fair value through other comprehensive income with carrying amount of HK$232,584,000 (2019: HK$235,294,000) were pledged as securities for banking facilities granted to the Group (note 35(i)(j)).

Notes to the Consolidated Financial Statements

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21. GOODWILL

The amount of goodwill arising from business combinations is as follows:

	2020 HK$'000	2019 HK$'000
At 1 April		
Gross carrying amount	**1,220,394**	817,161
Accumulated impairment	**–**	–
Net carrying amount	**1,220,394**	817,161
Opening net carrying amount	**1,220,394**	817,161
Acquisition of subsidiaries (note 42)	**131,619**	419,143
Exchange realignment	**(32,009)**	(15,910)
Closing net carrying amount	**1,320,004**	1,220,394
At 31 March		
Gross carrying amount	**1,320,004**	1,220,394
Accumulated impairment	**–**	–
Net carrying amount	**1,320,004**	1,220,394

Goodwill acquired through business combinations have been allocated to the following CGUs/group of CGUs for impairment testing:

– water supply CGUs within city water supply operation and construction segment;

– environmental protection CGUs within environmental protection segment; and

– other CGUs, which include gas sales and other operations.

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21. GOODWILL (Continued)

The carrying amounts of goodwill allocated to each of the CGUs/group of CGUs are as follows:

	Water supply CGUs HK$'000	Environmental protection CGUs HK$'000	Other CGUs HK$'000	Total HK$'000
Carrying amount at 31 March 2020	**891,441**	**221,937**	**206,626**	**1,320,004**
Carrying amount at 31 March 2019	806,299	227,285	186,810	1,220,394

The recoverable amounts are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections of the underlying operation covering the remaining years till the end of their respective service concessions periods.

The key assumptions used for the value-in-use calculations include forecast future business growth, city water and gas tariff, sewage charges, operating costs (including raw water, gas and electricity costs) until the end of the respective service concession period. Discount rates of 10% to 13% are adopted on water supply, gas supply and sewage treatment respectively to reflect specific risks relating to the relevant CGUs/group of CGUs. Based on the impairment tests prepared, there is no significant impairment for goodwill as at 31 March 2020.

For sensitivity analysis, had there been a 2% reduction of future business growth rate, a 1% reduction of average city water tariff or sewage charges, a 2% increase in operating costs or a 2% increase in discount rate in the value-in-use calculations each in isolation, no significant impairment loss of goodwill is resulted.

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22. OTHER INTANGIBLE ASSETS

	Water supply concession rights		Sewage treatment concession rights		Other operating rights		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
At beginning of the year								
Cost	**17,313,474**	14,144,422	**206,777**	292,071	**120,000**	–	**17,640,251**	14,436,493
Accumulated amortisation	**(2,346,701)**	(1,685,182)	**(315)**	(69,886)	**–**	–	**(2,347,016)**	(1,755,068)
Net carrying amount	**14,966,773**	12,459,240	**206,462**	222,185	**120,000**	–	**15,293,235**	12,681,425
For the year ended								
Opening net carrying amount	**14,966,773**	12,459,240	**206,462**	222,185	**120,000**	–	**15,293,235**	12,681,425
Additions	**3,097,350**	2,573,061	**15,464**	46,488	**–**	–	**3,112,814**	2,619,549
Capital injection	**52,079**	5,779	**–**	–	**–**	–	**52,079**	5,779
Acquisition of subsidiaries (note 42)	**249,046**	784,391	**–**	–	**43,034**	120,000	**292,080**	904,391
Disposals	**(28,512)**	–	**–**	–	**–**	–	**(28,512)**	–
Disposal of a subsidiary	**–**	(20,229)	**–**	–	**–**	–	**–**	(20,229)
Transfer to receivables under service concession arrangements	**–**	–	**–**	(49,821)	**–**	–	**–**	(49,821)
Written-off	**–**	(1,088)	**–**	–	**–**	–	**–**	(1,088)
Amortisation	**(468,428)**	(397,594)	**(6,103)**	(6,307)	**(4,614)**	–	**(479,145)**	(403,901)
Exchange realignment	**(669,732)**	(436,787)	**(9,279)**	(6,083)	**(5,394)**	–	**(684,405)**	(442,870)
Closing net carrying amount	**17,198,576**	14,966,773	**206,544**	206,462	**153,026**	120,000	**17,558,146**	15,293,235
At 31 March								
Cost	**19,903,452**	17,313,474	**212,962**	206,777	**157,640**	120,000	**20,274,054**	17,640,251
Accumulated amortisation	**(2,704,876)**	(2,346,701)	**(6,418)**	(315)	**(4,614)**	–	**(2,715,908)**	(2,347,016)
Net carrying amount	**17,198,576**	14,966,773	**206,544**	206,462	**153,026**	120,000	**17,558,146**	15,293,235

As at 31 March 2020, the other intangible assets with a net carrying amount of HK$1,011,983,000 (2019: HK$933,356,000) were pledged as security for banking facilities granted to the Group (note 35(i)(g)).

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Non-current			
Deposits for acquisition of equity securities		–	26,267
Prepayments and other receivables	(i)	**894,863**	1,473,838
		894,863	1,500,105
Current			
Prepayments		**257,957**	201,965
Other receivables	(ii)	**1,339,393**	1,347,702
		1,597,350	1,549,667

Notes:

(i) As at 31 March 2020, the balances mainly represented the prepayments for city water supply and water environmental renovation construction.

As at 31 March 2019, the balances mainly included an earnest money which bore interest rate at 8.0% per annum for the proposed acquisition of 29.52% equity interest in Kangda International amounting to HK$588,235,000. The remaining 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 balances were unsecured, interest-free and repayable on demand as at 31 March 2020 and 2019, except for the receivables of aggregate carrying amount of approximately HK$358,653,000 (2019: HK$317,165,000) which bore interest rates ranged from 5.0% to 8.0% (2019: 5.0% to 8.0%) per annum and were repayable within one year (2019: repayable within one year).

None of the above deposits and other receivables is either past due or impaired. Deposits and other receivables relate to counterparties for which there were no recent history of default.

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.

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24. CONTRACT ASSETS

The Group has recognised the following assets related to contracts with customers:

	Notes	**2020 HK$'000**	2019 HK$'000
Non-current			
Relating to service concession arrangements	(i)	**428,096**	249,054
Relating to water environmental renovation construction businesses	(ii)	**242,449**	291,725
		670,545	540,779
Current			
Relating to city water supply and water environmental renovation construction businesses	(ii)	**295,993**	233,484

Notes:

(i) Contract assets relating to service concession arrangements for sewage treatment construction services is not due from the customer until the construction of new sewage treatment infrastructure or upgrade services are completed. As a result, a contract asset is recognised over the period in which the construction of new sewage treatment infrastructure or upgrade services are performed to represent the entity's right to consideration for the services transferred to date. The carrying amount of approximately HK$428,096,000 (2019: HK$249,054,000) will be reclassified as receivables under service concession arrangements after the construction of new sewage treatment infrastructure or upgrade services has completed.

(ii) Contract assets relating to city water supply and water environmental renovation construction businesses recognised over the period represent the entity's right to consideration for the services transferred to date. The carrying amount of approximately HK$538,442,000 (2019: HK$525,209,000) will be reclassified as trade receivables at the point that the amount is invoiced to the customer.

(iii) The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets from initial recognition. During the year, no provision for impairment loss on contract assets was recognised in consolidated income statement in relation to impaired financial assets. Information about the impairment of contract assets and the Group's exposure to credit risk can be found in note 4.1(a) to the consolidated financial statements.

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25. PROPERTIES UNDER DEVELOPMENT

	2020 HK$'000	2019 HK$'000
At cost		
Opening net carrying amount	**1,273,890**	1,370,202
Additions	**417,211**	491,134
Disposals	**–**	(226,557)
Transfer to property, plant and equipment (note 16)	**–**	(2,995)
Transfer to properties held for sale (note 26)	**(128,548)**	(309,534)
Exchange realignment	**(56,833)**	(48,360)
Closing net carrying amount	**1,505,720**	1,273,890

26. PROPERTIES HELD FOR SALE

	2020 HK$'000	2019 HK$'000
At cost		
Opening net carrying amount	**816,189**	597,341
Additions	**150**	14,666
Transfer from properties under development (note 25)	**128,548**	309,534
Sales for the year	**(156,673)**	(85,852)
Exchange realignment	**(36,681)**	(19,500)
Closing net carrying amount	**751,533**	816,189

As at 31 March 2020, the properties held for sale with carrying amount of approximately HK$75,920,000 (2019: HK$Nil) were pledged to secure banking facilities granted to the Group (note 35(i)(h)).

At the reporting date, the properties held for sale are expected to be recovered within one year.

27. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials and supplies	**352,891**	295,363
Work-in-progress	**260,738**	220,025
Finished goods	**16,765**	15,602
	630,394	530,990

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28. TRADE AND BILLS RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables (net of allowance for doubtful debts)	**1,298,440**	1,233,828
Bills receivables	**26,347**	9,036
	1,324,787	1,242,864

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

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

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables from initial recognition. During the year, no provision for impairment loss on trade and bills receivables was recognised in consolidated income statement in relation to impaired financial assets. Information about the impairment of trade and bills receivables and the Group's exposure to credit risk can be found in note 4.1(a) to the consolidated financial statements.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2020 HK$'000	2019 HK$'000
Opening carrying amount	**6,379**	6,612
Exchange realignment	**(287)**	(233)
Closing carrying amount	**6,092**	6,379

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28. TRADE AND BILLS RECEIVABLES (Continued)

Trade receivables that were past due but not impaired relate to customers that have good repayment track records with the Group. The directors of the Company are of the opinion that no allowance for impairment of trade receivables is necessary as there was no recent history of significant default in respect of these trade debtors. The evaluations focused on the counterparties settlement history, current ability to pay, forecast future economic conditions and took into account information specific to the counterparties as well as pertaining to the economic environment in which the counterparties operated. Trade receivables that were neither past due nor impaired related to a large number of independent customers. In general, the Group does not hold any collateral or other credit enhancements over these balances.

The directors of the Company consider that the fair values of trade and bills receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

29. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group recognised financial assets – receivables under service concession arrangements in respect of its sewage treatment business arising from certain BOT and TOT arrangements. Details of the service concession arrangements of the Group are set out in note 5 to the consolidated financial statements.

Receivables under service concession arrangements represented revenue from construction services under BOT and TOT arrangements and bear interest at rate of 3.96% to 6.62% (2019: 3.96% to 6.62%) per annum. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT and TOT arrangements.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2020 HK$'000**	2019 HK$'000
Listed equity securities, at market value:			
– PRC	(i)	**–**	692
Unlisted debt securities	(ii)	**292,135**	488,648
		292,135	489,340

Notes:

(i) Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date in an active market.

(ii) The balance comprises financial products with licensed banks in the PRC. The Group used income method of discounted cash flows to determine its fair value.

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31. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 HK$'000	2019 HK$'000
Cash at banks/other financial institutions and in hand	**4,664,855**	2,218,693
Deposits	**1,939,045**	2,399,146
	6,603,900	4,617,839
Deposit pledged against banking facilities granted to mortgagees	**(552)**	(513)
Deposit pledged for bank loans (note 35(i)(i))	**(649,550)**	(178,866)
Deposit pledged for other loans (note 35(i)(i))	**(58,102)**	(388,180)
Deposit pledged for bills payables (note 33)	**(255,032)**	(76,965)
	(963,236)	(644,524)
Cash and cash equivalents	**5,640,664**	3,973,315

Cash at banks/other financial institutions earn interest at floating rates based on daily bank deposit rates.

The directors of the Company considered that the fair values of the cash at banks/other financial institutions and deposits are not materially different from their carrying amounts because of the short maturity period on their inception.

As at 31 March 2020, the Group had cash and cash equivalents and pledged deposits denominated in RMB amounting to approximately HK$4,389,279,000 (2019: HK$2,354,030,000), which were deposited with banks/other financial institutions in the PRC or held in hand. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

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32. CONTRACT LIABILITIES

The Group has recognised the following liabilities related to contracts with customers:

	2020 HK$'000	2019 HK$'000
Non-current		
Receipt in advance from customers for city water supply construction businesses	**276,453**	273,133
Current		
Receipt in advance from customers for city water supply operation businesses	**199,435**	160,537
Receipt in advance from customers for city water supply and water environmental renovation construction businesses	**339,295**	343,026
Receipt in advance from customers for property development and investment businesses	**367,427**	144,571
	906,157	648,134

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised for the year ended 31 March 2020 and 2019 relates to carried-forward contract liabilities.

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance at 1 April		
City water supply operation businesses	**153,155**	135,026
City water supply and water environmental renovation construction businesses	**222,346**	164,411
Property development and investment businesses	**36,532**	35,260
	412,033	334,697

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32. CONTRACT LIABILITIES (Continued)

(ii) Unsatisfied contracts related to city water supply construction

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 March 2020 and 2019.

	2020 **HK$'000**	2019 HK$'000
City water supply construction businesses	**276,453**	273,133

All other contracts related to water supply construction are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

33. TRADE AND BILLS PAYABLES

	2020 **HK$'000**	2019 HK$'000
Trade payables	**2,728,267**	2,189,887
Bills payables	**378,441**	220,211
	3,106,708	2,410,098

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

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

As at 31 March 2020, the bills payables of HK$378,441,000 (2019: HK$220,211,000) were secured by the pledged bank deposits of HK$255,032,000 (2019: HK$76,965,000) (note 31).

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34. ACCRUED LIABILITIES, DEPOSITS RECEIVED AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Current		
Accrued liabilities	433,433	374,985
Deposits received	46,028	64,514
Other payables (note)	2,003,503	1,539,583
	2,482,964	1,979,082

Note: Other payables mainly included water supply and sewage treatment fees and various municipal service charges received on behalf of certain government authorities in the PRC of HK$527,028,000 (2019: HK$413,554,000) and payables for other PRC tax surcharges and construction costs.

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35. BORROWINGS

	Notes	Original currency	2020 HK$'000	2019 HK$'000
Current				
Bank loans – unsecured	(ii)	RMB	**893,946**	713,174
Bank loans – secured	(i), (ii)	RMB	**1,405,832**	914,359
Bank loans due for repayment which contain a repayment on demand clause – unsecured	(ii), (v)	USD	**499,000**	–
Bank loans – unsecured	(ii)	USD	**1,107,917**	1,104,747
Other loans – unsecured	(iii)	RMB	**27,472**	28,412
Other loans – secured	(i), (iii)	RMB	**30,236**	476,471
Other loans – secured	(i), (iii)	USD	**36,706**	62,400
Government loans – unsecured	(iv)	RMB	**89,881**	137,920
			4,090,990	3,437,483
Non-current				
Bank loans – unsecured	(ii)	RMB	**1,171,148**	1,322,440
Bank loans – secured	(i), (ii)	RMB	**3,028,301**	2,221,490
Bank loans – unsecured	(ii)	USD	**5,577,418**	5,112,621
Bank loans – unsecured	(ii)	HK$	**496,206**	–
Other loans – unsecured	(iii)	RMB	**309,511**	351,885
Other loans – unsecured	(iii)	USD	**2,301,428**	2,288,540
Other loans – secured	(i), (iii)	RMB	**271,848**	–
Other loans – secured	(i), (iii)	USD	**–**	59,365
Government loans – unsecured	(iv)	RMB	**142,167**	137,790
			13,298,027	11,494,131
			17,389,017	14,931,614

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35. BORROWINGS (Continued)

	2020 HK$'000	2019 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,906,695**	2,732,280
In the second year	**1,184,546**	1,212,008
In the third to fifth years, inclusive	**7,070,269**	5,902,938
Beyond five years	**2,018,258**	1,541,605
	14,179,768	11,388,831
Other loans repayable:		
Within one year or on demand	**94,414**	567,283
In the second year	**2,575,180**	321,258
In the third to fifth years, inclusive	**182,584**	2,378,532
Beyond five years	**125,023**	–
	2,977,201	3,267,073
Government loans repayable:		
Within one year or on demand	**89,881**	137,920
In the second year	**21,169**	21,325
In the third to fifth years, inclusive	**63,500**	49,116
Beyond five years	**57,498**	67,349
	232,048	275,710

Notes:

(i) The borrowings at 31 March 2020 and 2019 were secured or guaranteed by:

(a) pledge of water and sewage treatment revenue of certain subsidiaries;

(b) charges over shares of certain subsidiaries of the Group;

(c) guarantees by certain non-controlling equity holders of subsidiaries of the Group and government authorities;

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35. BORROWINGS (Continued)

Notes: (Continued)

(i) The borrowings at 31 March 2020 and 2019 were secured or guaranteed by: (Continued)

(d) charges over property, plant and equipment in which their aggregate carrying amount as at 31 March 2020 was HK$92,164,000 (2019: HK$798,255,000) (note 16);

(e) charges over right-of-use assets (2019: prepaid land lease payments) in which their aggregate carrying amount as at 31 March 2020 was HK$177,438,000 (2019: HK$336,809,000) (note 17(b));

(f) charges over investment properties in which their aggregate carrying amount as at 31 March 2020 was HK$301,011,000 (2019: HK$315,176,000) (note 18);

(g) charges over other intangible assets in which their aggregate carrying amount as at 31 March 2020 was HK$1,011,983,000 (2019: HK$933,356,000) (note 22);

(h) charges over the properties held for sale in which their aggregate carrying amount as at 31 March 2020 was HK$75,920,000 (2019: HK$Nil) (note 26);

(i) charges over the bank deposits in amount of HK$707,652,000 as at 31 March 2020 (2019: HK$567,046,000) (note 31); and

(j) charges over the financial assets at fair value through other comprehensive income in which their aggregate carrying amount as at 31 March 2020 was HK$232,584,000 (2019: HK$235,294,000) (note 20(iii)).

(ii) The effective interest rates of the bank loans ranged from 2.78% to 9.00% (2019: 2.78% to 9.60%) per annum at 31 March 2020.

(iii) The effective interest rates of the other loans ranged from 4.78% to 7.50% (2019: 3.88% to 7.00%) per annum at 31 March 2020.

(iv) The effective interest rates of the government loans ranged from 1.20% to 5.00% (2019: 1.20% to 5.00%) per annum at 31 March 2020.

(v) Due to the unconditional right to demand repayment stated in the relevant loan agreement, the current liabilities of the Group as at 31 March 2020 included bank loan of USD64,000,000 (approximately HK$499,000,000) that are not scheduled to repay within one year. It is classified as current liability as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at the fifth anniversary to the related loan agreement any time at its own discretion. The right will expire within twelve months from 31 March 2020 and the loan amount will be reclassified in accordance with the scheduled repayment.

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36. DUE FROM/(TO) NON-CONTROLLING EQUITY HOLDERS OF SUBSIDIARIES

All the balances were unsecured, interest-free and repayable on demand except for:

(a) the amount due to a non-controlling equity holder of a subsidiary with carrying amount of HK$14,808,000 (2019: HK$45,624,000) as at 31 March 2020 which bore interest rate at 5.5% (2019: ranged from 5.2% to 5.5%) per annum and was repayable within one year;

(b) the amount due to a non-controlling equity holder of a subsidiary with carrying amount of HK$5,882,000 as at 31 March 2019 which bore interest rate at 4.8% per annum and repayable on demand; and

(c) the amounts due to non-controlling equity holders of subsidiaries with carrying amount of HK$96,067,000 (2019: HK$25,882,000) as at 31 March 2020 which bore interest rate ranged from 1.2% to 5.7% (2019: 1.2%) per annum and was repayable over one year.

37. DEFERRED GOVERNMENT GRANTS

	2020 HK$'000	2019 HK$'000
Opening carrying amount	**225,583**	156,336
Additions	**2,290**	37,294
Acquisition of subsidiaries	**–**	45,545
Amortisation (note 7)	**(9,176)**	(8,158)
Disposal of a subsidiary	**(6,452)**	–
Exchange realignment	**(10,032)**	(5,434)
Closing carrying amount	**202,213**	225,583

The deferred government grants mainly related to the Group's acquisition of other intangible assets (note 22).

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38. DEFERRED TAX LIABILITIES

Deferred tax liabilities are calculated on temporary differences under the liability method using applicable taxation rates of the relevant entities.

The movements in deferred tax liabilities during the year, without taking into accounts for the offsetting of balances within the same tax jurisdiction, are as follows:

	Temporary differences on assets recognised under HK(IFRIC) – Int 12	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of properties	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2018	413,425	96,159	311,074	51,850	872,508
Charged/(credited) to profit or loss (note 11)	79,566	–	(75,811)	–	3,755
Acquisition of subsidiaries	–	39,639	–	–	39,639
Disposal of a subsidiary	(3,843)	–	–	–	(3,843)
Exchange realignment	(13,132)	(3,394)	(10,980)	(1,830)	(29,336)
At 31 March 2019	476,016	132,404	224,283	50,020	882,723
Charged to profit or loss (note 11)	87,997	–	–	–	87,997
Acquisition of a subsidiary (note 42)	–	10,758	–	–	10,758
Exchange realignment	(20,654)	(5,951)	(9,202)	(2,248)	(38,055)
At 31 March 2020	**543,359**	**137,211**	**215,081**	**47,772**	**943,423**

At 31 March 2020, the Group has unused tax losses of HK$220,773,000 (2019: HK$184,824,000) available for offsetting against future taxable profits of the companies which incurred these losses. Deferred tax assets have not been recognised in respect of these tax losses due to the unpredictability of future profit streams. The unused tax losses will expire in 5 years except for those arising from Hong Kong which do not have expiry.

At 31 March 2020, the deferred tax liabilities of HK$117,076,000 (2019: HK$89,091,000) for the aggregate amount of temporary differences associated with undistributed earnings of foreign owned PRC subsidiaries have not been recognised, because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

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39. SHARE CAPITAL

	Number of shares '000	Par value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2019 and 2020	20,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2018 and at 31 March 2019	1,608,901	16,089
Repurchased and cancelled (note)	(4,872)	(49)
At 31 March 2020	**1,604,029**	**16,040**

Note: During the year ended 31 March 2020, the Company repurchased a total of 4,872,000 ordinary shares of the Company at an aggregate cost of approximately HK$34,217,000 (excluding expenses). The highest price paid and the lowest price paid were HK$7.46 and HK$6.08 per share respectively. All repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the contributed surplus. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

40. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 7 September 2012. The purpose of the Scheme is to reward participants who have contributed to the Group and to provide incentives to participants to work towards the success of the Company. Eligible participants of the Scheme include (a) any full-time or part-time employee of any member of the Group or invested entity; (b) any consultant or adviser of any member of the Group or invested entity; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or invested entity; (d) any shareholder of any member of the Group or invested entity; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or invested entity. The Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted.

The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the Scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of passing the resolution for adoption of the Scheme. For the purpose of calculating the above, options lapsed in accordance with the Scheme shall not be counted.

The maximum number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An offer of the grant of an option under the Scheme (the "Option") may be accepted within 28 days from the date of grant together with a remittance of HK$1.00 by way of consideration for the grant thereof. An Option may be exercised during such period as the board of directors may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant.

The exercise price of the Option shall be determined at the discretion of the board of directors which shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares. There is no minimum holding period before an Option is exercisable.

As at 31 March 2020 and 2019, no share option is granted and exercised under the Scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

41. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 48 to 49.

The share premium account mainly includes shares issued at a premium.

The capital redemption reserve of the Group represents the nominal value of the share capital of the Company repurchased and cancelled.

The contributed surplus of the Group represents (i) the difference between the reduction in the issued share capital of HK$0.0995 for every issued share at a nominal value of HK$0.10 each of the Company and amount to be set-off against the accumulated losses of the Company pursuant to a capital restructuring on 25 July 2003; and (ii) the share premium reductions.

Other reserves represent (i) the difference between the consideration and the carrying amount of the net assets attributable to the additional and reduction of interests in subsidiaries being acquired from and disposed to non-controlling interests respectively; and (ii) share of other reserves of associates.

The share options reserve represents the cumulative expenses recognised on the granting of share options to the employees over the vesting period and share of the share options reserves of the associates.

In accordance with relevant PRC regulations, certain subsidiaries of the Company are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.

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42. BUSINESS COMBINATIONS

(a) On 1 April 2019, the Group entered into an agreement with the independent third parties to acquire 51% equity interest in 長沙水杯子直飲水工程設備有限公司 ("Changsha Water Cup") and its subsidiaries ("Changsha Water Cup Group") at a consideration of RMB53,080,000 (approximately HK$59,640,000). Changsha Water Cup Group is principally engaged in direct drinking water business. The Group previously held 40% equity interest of a subsidiary of Changsha Water Cup, which was accounted for as an associate as at 31 March 2019. The acquisition was completed on 1 April 2019.

The acquisition was made as part of the Group's strategy to facilitate the direct drinking water business in the PRC.

Details of fair value of the net identified assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration – settled by cash	59,640
Fair value of the Group's interest previously held in a subsidiary of Changsha Water Cup	475
Fair value of net identified assets acquired	(15,755)
Goodwill (note 21)	44,360

The goodwill of HK$44,360,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

42. BUSINESS COMBINATIONS (Continued)

(a) (Continued)

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	**Carrying amount** HK$'000
Property, plant and equipment	17,941	17,941
Financial assets at fair value through other comprehensive income	56	56
Inventories	8,696	8,696
Trade receivables	2,172	2,172
Prepayments, deposits and other receivables	23,628	23,628
Cash and cash equivalents	366	366
Trade payables	(3,518)	(3,518)
Accrued liabilities, deposits received and other payables	(3,612)	(3,612)
Borrowings	(14,324)	(14,324)
Due to non-controlling equity holders of subsidiaries	(297)	(297)
Provision for tax	(13)	(13)
Non-controlling interests	(15,340)	(15,340)
Net identifiable assets attributed to the Group acquired	15,755	15,755
Cash and cash equivalents in business acquired		366
Cash outflow on acquisition of business		(25,730)
Net cash outflow arising on acquisition		(25,364)

None of the receivables have been impaired and it is expected the full contractual amount can be collected.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

Since its acquisition, Changsha Water Cup Group contributed revenue of HK$47,923,000 and net profit of HK$3,053,000 to the Group for the period from 1 April 2019 to 31 March 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

42. BUSINESS COMBINATIONS (Continued)

(b) On 13 March 2019, the Group entered into an agreement with an independent third party, 夏縣自來水公司 ("Xia County Water Supply"), that the Group and Xia County Water Supply shall establish a new company, 夏縣銀龍水務有限公司 ("Xia County Silver Dragon Water"), to run a water supply business. The Group shall contribute 56.40% registered capital of Xia County Silver Dragon Water by way of cash (RMB19,740,853) and Xia County Water Supply shall contribute the remaining 43.60% interest of Xia County Silver Dragon Water by way of assets and the water supply business in Xia County Silver Dragon Water. The above transaction was completed on 8 May 2019.

The transaction was made as part of the Group's strategy to facilitate the water supply business in the PRC.

The transaction was treated by the management as business combination without the transfer of consideration because the cash contribution from the Group to Xia County Silver Dragon Water remained under the Group's control, and no goodwill was resulted.

The assets and liabilities arising from the business combination are as follows:

	Fair value HK$'000	**Carrying amount** HK$'000
Other intangible assets	29,562	29,562
Trade payables	(3,340)	(3,340)
Accrued liabilities, deposits received and other payables	(9,077)	(9,077)
Non-controlling interests	(17,145)	(17,145)
Net identifiable assets attributed to the Group acquired	–	–
Cash and cash equivalents in business acquired and net cash inflow arising on transaction		–

Since its acquisition, Xia County Silver Dragon Water contributed revenue of HK$4,982,000 and net loss of HK$1,888,000 to the Group for the period from 8 May 2019 to 31 March 2020.

Had the combination been taken place on 1 April 2019, the revenue and the net profit of the Group for the year ended 31 March 2020 would have been HK$8,694,505,000 and HK$2,507,277,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor are they intended to be a projection of future results.

Notes to the Consolidated Financial Statements
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42. BUSINESS COMBINATIONS (Continued)

(c) On 10 October 2019, the Group entered into an agreement with an independent third party to acquire 80% equity interest in 新寧縣中基燃氣有限公司 ("Zhongji Gas") at a consideration of RMB41,090,000 (approximately HK$46,168,000). Zhongji Gas is principally engaged in liquefied natural gas ("LNG") supply business. The acquisition was completed on 10 October 2019.

The acquisition was made as part of the Group's strategy to facilitate the LNG supply business in the PRC.

Details of fair value of the net identified assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration – settled by cash	46,168
Fair value of net identified assets acquired	(25,546)
Goodwill (note 21)	20,622

The goodwill of HK$20,622,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

42. BUSINESS COMBINATIONS (Continued)

(c) (Continued)

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Carrying amount HK$'000
Property, plant and equipment	97,871	97,871
Right-of-use assets	2,922	2,922
Other intangible assets	43,034	–
Inventories	1,905	1,905
Trade receivables	53	53
Prepayments, deposits and other receivables	23,468	23,468
Cash and cash equivalents	49	49
Lease liabilities	(1,414)	(1,414)
Contract liabilities	(705)	(705)
Trade payables	(4,540)	(4,540)
Accrued liabilities, deposits received and other payables	(63,454)	(63,454)
Borrowings	(42,584)	(42,584)
Provision for tax	(229)	(229)
Deferred tax liabilities	(10,758)	–
Non-controlling interests	(20,072)	(5,871)
Net identifiable assets attributed to the Group acquired	25,546	7,471
Cash and cash equivalents in business acquired		49
Cash outflow on acquisition of business		(6,971)
Net cash outflow arising on acquisition		(6,922)

None of the receivables have been impaired and it is expected the full contractual amount can be collected.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

Since its acquisition, Zhongji Gas contributed revenue of HK$20,595,000 and net profit of HK$4,849,000 to the Group for the period from 10 October 2019 to 31 March 2020.

Had the combination been taken place on 1 April 2019, the revenue and the net profit of the Group for the year ended 31 March 2020 would have been HK$8,707,444,000 and HK$2,510,271,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor are they intended to be a projection of future results.

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42. BUSINESS COMBINATIONS (Continued)

(d) On 25 November 2019, the Group entered into an agreement with an independent third party, 魯山縣城南水業有限公司 ("Lushan Water Company"), that the Group and Lushan Water Company shall establish a new company, 魯山縣銀龍水務有限公司 ("Lushan Silver Dragon Water"), to run a water supply business. The Group shall contribute 80% registered capital of Lushan Silver Dragon Water by way of cash (RMB96,086,000) and Lushan Water Company shall contribute the remaining 20% interest of Lushan Silver Dragon Water by way of assets and the water supply business in Lushan Silver Dragon Water. The above transaction was completed on 11 December 2019.

The transaction was made as part of the Group's strategy to facilitate the water supply business in the PRC.

The transaction was treated by the management as business combination without the transfer of consideration because the cash contribution from the Group to Lushan Silver Dragon Water remained under the Group's control, and no goodwill was resulted.

The assets and liabilities arising from the business combination are as follows:

	Fair value HK$'000	Carrying amount HK$'000
Property, plant and equipment	67	67
Right-of-use assets	667	667
Other intangible assets	67,429	67,429
Inventories	1,776	1,776
Trade receivables	51	51
Due from non-controlling equity holders of subsidiaries	1,297	1,297
Prepayments, deposits and other receivables	135	135
Cash and cash equivalents	5	5
Trade payables	(5,179)	(5,179)
Accrued liabilities, deposits received and other payables	(39,257)	(39,257)
Non-controlling interests	(26,991)	(26,991)
Net identifiable assets attributed to the Group acquired	–	–
Cash and cash equivalents in business acquired and net cash inflow arising on transaction		5

None of the receivables have been impaired and it is expected the full contractual amount can be collected.

Since its acquisition, Lushan Silver Dragon Water contributed revenue of HK$571,000 and net loss of HK$1,771,000 to the Group for the period from 11 December 2019 to 31 March 2020.

Had the combination been taken place on 1 April 2019, the revenue and the net profit of the Group for the year ended 31 March 2020 would have been HK$8,694,919,000 and HK$2,500,208,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor are they intended to be a projection of future results.

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For the year ended 31 March 2020

42. BUSINESS COMBINATIONS (Continued)

(e) On 28 February 2020, the Group entered into the capital injection agreement with the independent shareholders of 雷州市華洋水務有限公司 ("Leizhou Huayang Water"), that the Group shall contribute RMB58,000,000 (approximately HK$65,169,000) for capital injection in Leizhou Huayang Water (the "Capital Injection"). The Group previously held 40% equity interest of Leizhou Huayang Water, which was accounted for as an associate as at 31 March 2019. The Group will hold 57.14% equity interest of Leizhou Huayang Water upon completion of the Capital Injection. The Capital Injection was completed on 28 February 2020. Leizhou Huayang Water is principally engaged in water supply business.

The acquisition was made as part of the Group's strategy to facilitate the water supply business in the PRC.

The transaction was treated by the management as business combination without the transfer of consideration because the cash contribution from the Group to Leizhou Huayang Water remained under the Group's control.

Details of fair value of the net identified assets acquired and goodwill are as follows:

	HK$'000
Capital injection	65,169
Fair value of the Group's interest previously held in Leizhou Huayang Water	48,884
Fair value of net identified assets acquired	(49,629)
Goodwill (note 21)	64,424

The goodwill of HK$64,424,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

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42. BUSINESS COMBINATIONS (Continued)

(e) (Continued)

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Carrying amount HK$'000
Property, plant and equipment	592	592
Right-of-use assets	6,257	6,257
Other intangible assets	95,838	95,838
Inventories	5,267	5,267
Trade receivables	4,231	4,231
Due from non-controlling equity holders of subsidiaries	3,959	3,959
Prepayments, deposits and other receivables	68,121	68,121
Cash and cash equivalents	6,915	6,915
Lease liabilities	(2,575)	(2,575)
Contract liabilities	(2,843)	(2,843)
Trade payables	(1,569)	(1,569)
Accrued liabilities, deposits received and other payables	(13,407)	(13,407)
Borrowings	(65,506)	(65,506)
Non-controlling interests	(55,651)	(55,651)
Net identifiable assets attributed to the Group acquired	49,629	49,629
Cash and cash equivalents in business acquired and net cash inflow arising on transaction		6,915

None of the receivables have been impaired and it is expected the full contractual amount can be collected.

Since its acquisition, Leizhou Huayang Water contributed revenue of HK$5,624,000 and net profit of HK$2,261,000 to the Group for the period from 28 February 2020 to 31 March 2020.

Had the combination been taken place on 1 April 2019, the revenue and the net profit of the Group for the year ended 31 March 2020 would have been HK$8,740,803,000 and HK$2,510,654,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor are they intended to be a projection of future results.

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42. BUSINESS COMBINATIONS (Continued)

(f) On 6 March 2020, the Group entered into an agreement with an independent third party, 寶豐縣人民政府 ("Baofeng Government"), that the Group and Baofeng Government shall establish a new company, 寶豐縣銀龍水務有限公司 ("Baofeng Silver Dragon Water"), to run a water supply business. The Group shall contribute 70% registered capital of Baofeng Silver Dragon Water by way of cash (RMB140,000,000) and Baofeng Government shall contribute the remaining 30% interest of Baofeng Silver Dragon Water by way of assets and the water supply business in Baofeng Silver Dragon Water. The above transaction was completed on 31 March 2020.

The transaction was made as part of the Group's strategy to facilitate the water supply business in the PRC.

The transaction was treated by the management as business combination without the transfer of consideration because the cash contribution from the Group to Baofeng Silver Dragon Water remained under the Group's control, and no goodwill was resulted.

The assets and liabilities arising from the business combination are as follows:

	Fair value HK$'000	**Carrying amount** HK$'000
Right-of-use assets	7,888	7,888
Other intangible assets	56,217	56,217
Prepayments, deposits and other receivables	3,311	3,311
Non-controlling interests	(67,416)	(67,416)
Net identifiable assets attributed to the Group acquired	–	–
Cash and cash equivalents in business acquired and net cash inflow arising on transaction		–

None of the receivables have been impaired and it is expected the full contractual amount can be collected.

Since its acquisition, Baofeng Silver Dragon Water did not contribute any revenue or net profit on 31 March 2020.

Had the combination been taken place on 1 April 2019, the revenue and the net profit of the Group for the year ended 31 March 2020 would have been HK$8,714,793,000 and HK$2,504,826,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor are they intended to be a projection of future results.

Notes to the Consolidated Financial Statements

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43. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2020, the Group disposed several subsidiaries and recognised a net loss on disposal of approximately HK$348,000.

44. COMMITMENTS AND GUARANTEES

(a) Capital commitments

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

	2020 HK$'000	2019 HK$'000
Contracted, but not provided for		
– Other intangible assets	**422,944**	332,477
– Property, plant and equipment	**24,374**	20,844
	447,318	353,321

(b) Operating lease arrangement

As lessee

From 1 April 2019, the Group has recognised right-of-use assets for the leases (notes 3 and 17(b)).

At 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	HK$'000
Within one year	46,649
In the second to fifth years, inclusive	151,329
After five years	176,696
	374,674

Notes to the Consolidated Financial Statements

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44. COMMITMENTS AND GUARANTEES (Continued)

(b) Operating lease arrangement (Continued)

As lessor

The Group leases its investment properties under operating lease arrangements for terms ranging from one to ten years (2019: one to ten years) in average. 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:

	2020 **HK\$'000**	2019 HK\$'000
Within one year	**32,864**	37,557
In the second to fifth years, inclusive	**32,715**	52,591
After five years	**344**	5,631
	65,923	95,779

(c) As at 31 March 2020, the Group had commitment to make direct capital injections to its associates operating in the PRC of approximately HK\$3,792,000 (2019: HK\$3,971,000).

(d) As at 31 March 2020, the Group had given guarantees to the banks for mortgage loans granted to purchasers of certain subsidiaries' properties of approximately HK\$1,349,000 (2019: HK\$1,722,000).

In the opinion of the directors of the Company, the financial impact arising from the above guarantees is insignificant due to low applicable default rate and accordingly, they are not accounted for in the consolidated financial statements.

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45. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following material related party transactions:

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

	2020 HK$'000	2019 HK$'000
Total remuneration of directors and other members of key management during the year		
– Short term employee benefits	**48,938**	48,990
– Retirement scheme contribution	**636**	728
	49,574	49,718

(b) Other transactions

(i) Subscription of equity interest in a subsidiary

On 21 June 2018, the Group and certain subscribers entered into the subscription agreements pursuant to which the subscribers agreed to subscribe for an aggregate of approximately 4.39% equity interest in Shenzhen Gold Tact Environmental Holdings Co. Ltd ("Gold Tact"), a wholly owned subsidiary of the Company at the total subscription price of approximately RMB138 million, equivalent to HK$162 million. Gold Tact and its subsidiaries are principally engaged in sewage treatment and drainage operation and water related construction, solid waste and hazardous waste business, environmental sanitation and water environment management in the PRC. Mr. Li Zhong, Ms. Liu Yu Jie, Ms. Wang Xiaoqin, being the directors of the Company, certain directors of the Company's subsidiaries and various employees/consultant of the Group have equity interests in those subscribers.

The above related party transaction also constitutes connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements

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45. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions (Continued)

(ii) Formation of a joint venture

On 21 February 2019, the Company, Toray Industries, Inc, ORIX China Investment Corporation ("ORIX China") and Xinyu Silver Dragon Water Equipment Co. Ltd. entered into the joint venture agreement to establish the joint venture company which will be principally engaged in, among others, production and sale of pipeline direct drinking equipment, water purification equipment and other water treatment equipment and services ("JV Company"). The registered capital of the JV Company shall be RMB50 million. The total investment of the JV Company shall be RMB120 million. The Company shall contribute RMB27.5 million in cash towards the registered capital of the JV Company and hold 55% of the equity interest in the JV Company. ORIX China is a subsidiary of ORIX Corporation which is a substantial shareholder of the Company.

The above related party transaction also constitutes connected transactions as defined in Chapter 14A of the Listing Rules.

(iii) Sales to an associate

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant related party transactions:

	2020 **HK$'000**	2019 HK$'000
Sales to an associate	**36,079**	–

The Group provided construction services of approximately HK$36,079,000 (2019: HK$Nil) to a subsidiary of Kangda International, an associate of the Group. The services were made with reference to the terms negotiated between both parties.

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46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Movements of financial liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings HK$'000
At 1 April 2018	10,882,052
Changes from financing cash flows	3,894,160
Increase arising from acquisition of subsidiaries	304,872
Decrease arising from disposal of subsidiaries	(11,765)
Others	37,415
Exchange differences	(175,120)
At 31 March 2019 and 1 April 2019	14,931,614
Changes from financing cash flows	2,561,493
Increase arising from acquisition of subsidiaries (note 42)	122,414
Others	46,079
Exchange differences	(272,583)
At 31 March 2020	**17,389,017**

(b) Major non-cash transactions

In addition to those disclosed elsewhere in the consolidated financial statements, during the year ended 31 March 2020, the partial consideration of HK$1,200,000,000 for acquisition of an associate, Kangda International, was settled by other receivables of approximately HK$588,235,000 (note 23(i)).

Notes to the Consolidated Financial Statements

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47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**149**	372
Interests in subsidiaries		**2,653,455**	2,090,753
Interest in an associate		**187,245**	187,245
Financial assets at fair value through other comprehensive income		**8,799**	13,701
Other receivables		**–**	588,235
		2,849,648	2,880,306
Current assets			
Due from subsidiaries		**6,039,188**	5,006,320
Due from associates		**–**	7,318
Prepayments, deposits and other receivables		**41,237**	31,157
Pledged deposits		**678,102**	193,750
Cash and cash equivalents		**1,523,279**	2,065,698
		8,281,806	7,304,243
Current liabilities			
Due to subsidiaries		**228,477**	171,293
Due to an associate		**3,441**	–
Accrued liabilities, deposits received and other payables		**92,361**	90,557
Borrowings		**1,673,859**	1,167,147
		1,998,138	1,428,997
Net current assets		**6,283,668**	5,875,246
Total assets less current liabilities		**9,133,316**	8,755,552
Non-current liabilities			
Borrowings		**8,875,767**	7,699,488
Deferred government grants		**2,370**	2,370
		8,878,137	7,701,858
Net assets		**255,179**	1,053,694
EQUITY			
Share capital	39	**16,040**	16,089
Reserves	47(b)	**239,139**	1,037,605
Total equity		**255,179**	1,053,694

Approved and authorised for issue by the board of directors on 29 June 2020 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

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47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company

	Proposed final dividend HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2018	**241,335**	**995,193**	**117,217**	**3,064**	**96,808**	**(1,394)**	**138,710**	**1,590,933**
Share premium reduction	–	(995,193)	995,193	–	–	–	–	–
Final dividend 2018 (note 13)	(241,335)	–	–	–	–	–	–	(241,335)
Interim dividend 2019 (note 13)	–	–	(193,068)	–	–	–	–	(193,068)
Transactions with owners	**(241,335)**	**(995,193)**	**802,125**	**–**	**–**	**–**	**–**	**(434,403)**
Proposed final dividend 2019 (note 13)	**257,424**	**–**	**(257,424)**	**–**	**–**	**–**	**–**	**–**
Loss for the year	–	–	–	–	–	–	(119,641)	(119,641)
Other comprehensive income								
– Currency translation	–	–	–	–	–	716	–	716
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**716**	**(119,641)**	**(118,925)**
Balance at 31 March 2019	**257,424**	**–**	**661,918**	**3,064**	**96,808**	**(678)**	**19,069**	**1,037,605**

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For the year ended 31 March 2020

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company (Continued)

	Proposed final dividend HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
Balance at 1 April 2019	**257,424**	**661,918**	**3,064**	**–**	**96,808**	**(678)**	**19,069**	**1,037,605**
Share repurchase (note 39)	–	(34,168)	–	–	–	–	–	(34,168)
Share repurchase expenses	–	(119)	–	–	–	–	–	(119)
Final dividend 2019 (note 13)	(257,424)	779	–	–	–	–	–	(256,645)
Interim dividend 2020 (note 13)	–	(224,564)	–	–	–	–	–	(224,564)
Transactions with owners	**(257,424)**	**(258,072)**	**–**	**–**	**–**	**–**	**–**	**(515,496)**
Proposed final dividend 2020 (note 13)	**256,645**	**(256,645)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to capital redemption reserve (note 41)	**–**	**–**	**49**	**–**	**–**	**–**	**(49)**	**–**
Loss for the year	–	–	–	–	–	–	(278,962)	(278,962)
Other comprehensive (loss)/income								
– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(4,902)	–	–	–	(4,902)
– Currency translation	–	–	–	–	–	894	–	894
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**(4,902)**	**–**	**894**	**(278,962)**	**(282,970)**
Balance at 31 March 2020	**256,645**	**147,201**	**3,113**	**(4,902)**	**96,808**	**216**	**(259,942)**	**239,139**

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company (Continued)

The share premium account mainly included shares issued at a premium.

The capital redemption reserve of the Company represents the nominal value of the share capital of the Company repurchased and cancelled.

The contributed surplus represented (i) reduction in issued share capital pursuant to a capital restructuring on 25 July 2003; and (ii) the share premium reductions. Under the Companies Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if: (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The share options reserve represents the cumulative expenses recognised on the granting of share options to the employees over the vesting period.

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For the year ended 31 March 2020

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) General information of principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2020 are as follows:

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
China Water Supply Group Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Investment holding
Fortune Trend Holdings Limited	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding
GT Water Holdings Limited	Hong Kong	Ordinary shares of RMB113,911,451	–	100%	Investment holding
Gold Tact (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$100,545,366	100%	–	Investment holding
Hang Da Holdings (HK) Limited	Hong Kong	Ordinary shares of HK$10,000	100%	–	Investment holding
Legend Target Limited	Hong Kong	Ordinary share of HK$1	–	80.66%	Investment holding
China Water Property (Hong Kong) Investment Limited	Hong Kong	Ordinary shares of HK$10,000	–	70%	Investment holding
China Water Group (HK) Limited	British Virgin Islands ("BVI")/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
China Water International Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Oceanup Investments Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Ming Hing Waterworks Engineering (PRC) Ltd.	BVI/Hong Kong	100 ordinary shares of US$1 each	–	100%	Investment holding
Business Decade Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
New Prospect Global Limited	BVI/Hong Kong	10,000 ordinary shares of US$1 each	–	80.66%	Investment holding
New Prime Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Create Capital Development Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	–	70%	Investment holding
Goldtrust Water Holdings Limited	Cayman Islands/ Hong Kong	100 ordinary shares of US$1 each	–	100%	Investment holding

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Jianhe Holdings Group Limited	Bermuda/Hong Kong	10,000 ordinary shares of HK$0.01 each	–	80.66%	Investment holding
銀龍水務投資有限公司#	PRC	Registered capital of RMB1,000,000,000	100%	–	Investment holding
上海倍臣水務發展有限公司^	PRC	Registered capital of RMB404,000,000	–	100%	Investment holding
上海銀龍股權投資有限公司^	PRC	Registered capital of RMB1,000,000,000	–	100%	Investment holding
江河水務有限公司^	PRC	Registered capital of RMB225,000,000	–	100%	Investment holding
河南銀龍供水有限公司*	PRC	Registered capital of RMB287,000,000	–	100%	Investment holding
深圳金達環境控股有限公司*	PRC	Registered capital of RMB602,282,275	–	88.07%	Investment holding
深圳市金信安水務集團有限公司#	PRC	Registered capital of RMB400,000,000	–	100%	Investment holding
廣東新晟環保集團有限公司^	PRC	Registered capital of RMB323,890,000	–	88.07%	Investment holding
河南國源水務有限公司^	PRC	Registered capital of RMB300,000,000	–	100%	Investment holding, construction and operation of water conservation and hydropower related projects
荊州水務集團有限公司(ii)*	PRC	Registered capital of US$60,589,200	36.9%	14.1%	Investment holding, city water supply and water supply infrastructure
公安縣銀龍水務有限公司^	PRC	Registered capital of RMB173,944,431	–	51%	City water supply and water supply infrastructure
武漢市新洲區長源供水有限公司^	PRC	Registered capital of RMB15,160,000	–	91.79%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
漢川市新河自來水有限公司^	PRC	Registered capital of RMB10,000,000	–	100%	City water supply and water supply infrastructure
新余水務集團有限公司#	PRC	Registered capital of RMB150,000,000	60%	–	City water supply and water supply infrastructure
宜豐縣銀龍水務有限公司*	PRC	Registered capital of RMB52,800,000	55%	–	City water supply and water supply infrastructure
江河港武水務(常州)有限公司(ii)^	PRC	Registered capital of RMB237,000,000	–	40%	City water supply and water supply infrastructure
重慶市永川區僑立水務有限公司#	PRC	Registered capital of RMB200,000,000	100%	–	City water supply and water supply infrastructure
重慶墊江水務有限公司*	PRC	Registered capital of RMB250,000,000	56%	–	City water supply and water supply infrastructure
高安水務有限公司*	PRC	Registered capital of RMB60,000,000	60%	–	City water supply and water supply infrastructure
高安市昌西供水有限公司^	PRC	Registered capital of RMB2,000,000	–	60%	City water supply and water supply infrastructure
高安市八景供水有限公司^	PRC	Registered capital of RMB5,000,000	–	60%	City water supply and water supply infrastructure
高安市新街供水有限公司^	PRC	Registered capital of RMB1,000,000	–	60%	City water supply and water supply infrastructure
高安市沙湖供水有限公司^	PRC	Registered capital of RMB500,000	–	60%	City water supply and water supply infrastructure
高安瑞西供水有限公司^	PRC	Registered capital of RMB1,000,000	–	60%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
長沙(中國水務)集團有限公司*	PRC	Registered capital of RMB200,000,000	–	90%	City water supply and water supply infrastructure
長沙水杯子直飲水工程設備有限公司(i)*	PRC	Registered capital of RMB20,000,000	–	51%	Direct drinking water operation and construction
寧鄉中水煤城供水有限公司^	PRC	Registered capital of RMB5,000,000	–	90%	City water supply and water supply infrastructure
寧鄉市銀龍農村水務有限公司^	PRC	Registered capital of RMB20,000,000	–	90%	City water supply and water supply infrastructure
惠州中水水務發展有限公司*	PRC	Registered capital of RMB200,000,000	20%	50%	City water supply and water supply infrastructure
惠州大亞灣溢源淨水有限公司^	PRC	Registered capital of RMB248,612,103	–	59.78%	City water supply and water supply infrastructure
河源市水業集團發展有限公司^	PRC	Registered capital of RMB100,000,000	–	62.66%	City water supply and water supply infrastructure
和平縣天平供水有限公司^	PRC	Registered capital of RMB18,800,000	–	90%	City water supply and water supply infrastructure
博羅縣長寧閩恒供水有限公司#	PRC	Registered capital of HK$16,800,000	–	100%	City water supply and water supply infrastructure
博羅縣羅浮山清景供水有限公司^	PRC	Registered capital of RMB10,000,000	–	100%	City water supply and water supply infrastructure
龍川縣眾誠水務有限公司^	PRC	Registered capital of RMB10,000,000	–	100%	City water supply and water supply infrastructure
雷州市華洋水務有限公司(i)(ii)*	PRC	Registered capital of RMB70,000,000	–	47.14%	City water supply and water supply infrastructure
深圳市大工業區水務有限公司^	PRC	Registered capital of RMB45,500,000	–	56.04%	City water supply, water supply infrastructure, drainage operation and construction

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
武陟國源水務有限公司^	PRC	Registered capital of RMB41,333,300 (2019： RMB31,000,000)	–	75% (2019: 100%)	City water supply and water supply infrastructure
平頂山石龍區國源水務有限公司^	PRC	Registered capital of RMB25,000,000	–	60%	City water supply and water supply infrastructure
葉縣國源水務有限公司^	PRC	Registered capital of RMB27,000,000 (2019： RMB37,000,000)	–	77.78% (2019: 83.78%)	City water supply and water supply infrastructure
夏邑縣聰辰自來水有限公司^	PRC	Registered capital of RMB50,000,000 (2019: RMB4,649,530)	–	100%	City water supply and water supply infrastructure
郟縣銀龍水務有限公司^	PRC	Registered capital of RMB100,000,000	–	80%	City water supply and water supply infrastructure
周口銀龍水務有限公司*	PRC	Registered capital of HK$51,000,000	–	70%	City water supply and water supply infrastructure
河南鹿邑銀龍供水有限公司^	PRC	Registered capital of RMB14,000,000	–	100%	City water supply and water supply infrastructure
河南銀龍(扶溝)供水有限公司^	PRC	Registered capital of RMB14,000,000	–	100%	City water supply and water supply infrastructure
河南銀龍(西華)供水有限公司^	PRC	Registered capital of RMB14,000,000	–	100%	City water supply and water supply infrastructure
寶豐縣銀龍水務有限公司(i)*	PRC	Registered capital of RMB200,000,000	–	70%	City water supply and water supply infrastructure
舞鋼市銀龍水務有限公司(i)#	PRC	Registered capital of RMB20,000,000	–	100%	City water supply and water supply infrastructure
淮陽縣上善水務有限公司(i)#	PRC	Registered capital of RMB80,000,000	–	100%	City water supply and water supply infrastructure

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
魯山縣銀龍水務有限公司(i)*	PRC	Registered capital of RMB120,108,000	–	80%	City water supply and water supply infrastructure
廣東仁化銀龍供水有限公司*	PRC	Registered capital of RMB27,260,000	–	73%	City water supply and water supply infrastructure
江西萬年銀龍水務有限責任公司*	PRC	Registered capital of US$56,390,000 (2019: US$52,090,000)	–	100%	City water supply
吉安水務集團有限公司^	PRC	Registered capital of RMB120,000,000	–	70%	City water supply and water supply infrastructure
吉安銀龍水務有限公司^	PRC	Registered capital of RMB87,320,000	–	50.4%	City water supply and water supply infrastructure
蘆溪水務有限公司*	PRC	Registered capital of RMB62,308,750	30%	30%	City water supply and water supply infrastructure
萍鄉水務有限公司*	PRC	Registered capital of RMB282,000,000	26%	25%	City water supply and water supply infrastructure
萍鄉市春雨水業有限公司^	PRC	Registered capital of RMB10,000,000	–	51%	City water supply and water supply infrastructure
懷化銀龍水務有限公司*	PRC	Registered capital of RMB30,000,000	30%	56.55%	City water supply and water supply infrastructure
懷化沅辰水務有限公司*	PRC	Registered capital of RMB76,581,697	–	65%	City water supply and water supply infrastructure
九江彭澤銀龍水務有限公司*	PRC	Registered capital of RMB102,734,375	49%	11%	City water supply and water supply infrastructure
運城銀龍水務有限公司*	PRC	Registered capital of RMB85,964,273	–	51%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
運城市鹽湖區舜源城鄉供排水有限公司^	PRC	Registered capital of RMB20,000,000	–	51%	City water supply and water supply infrastructure
運城弘益水務有限公司*	PRC	Registered capital of RMB100,000,000	–	64.52%	City water supply and water supply infrastructure
夏縣銀龍水務有限公司(i)*	PRC	Registered capital of RMB35,000,000	–	56.4%	City water supply and water supply infrastructure
隆堯銀龍水務有限公司*	PRC	Registered capital of RMB55,000,000	–	73%	City water supply and water supply infrastructure
常德安鄉銀龍水務有限公司*	PRC	Registered capital of RMB50,000,000	–	70%	City water supply and water supply infrastructure
江西黃崗山水務發展有限公司*	PRC	Registered capital of RMB80,000,000	–	75%	City water supply and water supply infrastructure
鶴崗三立水務有限公司*	PRC	Registered capital of RMB153,708,300 (2019: RMB63,488,000)	–	55%	City water supply, water supply infrastructure and drainage operation
分宜銀龍水務有限公司*	PRC	Registered capital of RMB75,000,000	66.67%	33.33%	City water supply and water supply infrastructure
上栗銀龍水務有限公司^	PRC	Registered capital of RMB99,500,000 (2019: RMB14,500,000)	–	60%	City water supply and water supply infrastructure
鉛山縣銀龍水務有限公司#	PRC	Registered capital of RMB55,500,000	–	100%	City water supply and water supply infrastructure
宜春銀龍水務有限公司#	PRC	Registered capital of RMB38,000,000	–	100%	City water supply
海南興水城鄉供水有限公司^	PRC	Registered capital of RMB15,830,000	–	56.85%	City water supply
北京江河京威水務有限公司^	PRC	Registered capital of RMB10,000,000	–	70%	City water supply

Notes to the Consolidated Financial Statements

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
昌邑鵬昊自來水有限公司^	PRC	Registered capital of RMB65,000,000	–	100%	City water supply and water supply infrastructure
江西銀龍水環境建設有限責任公司^	PRC	Registered capital of RMB400,000,000	–	70.46%	City water supply and water environmental renovation infrastructure
寶雞市金信安水務有限公司^	PRC	Registered capital of RMB42,680,000	–	100%	Sewage treatment
寶雞市陳倉金信安水務有限公司^	PRC	Registered capital of RMB12,000,000	–	100%	Sewage treatment
寶雞市大通水務有限公司^	PRC	Registered capital of RMB5,000,000	–	88.07%	Sewage treatment
荊州中水環保有限公司^	PRC	Registered capital of RMB63,749,400 (2019: US$8,200,000)	–	88.07%	Sewage treatment operation and construction
萬年縣中水環保有限公司^	PRC	Registered capital of RMB53,000,000	–	88.07%	Sewage treatment operation and construction
分宜中水環保有限公司^	PRC	Registered capital of RMB18,000,000	–	88.07%	Sewage treatment operation and construction
鉛山縣中水環保有限公司^	PRC	Registered capital of RMB13,470,000 (2019: US$2,000,000)	–	88.07%	Sewage treatment operation and construction
天津正坤水處理有限公司^	PRC	Registered capital of RMB2,300,000	–	88.07%	Sewage treatment operation and construction
天津重科水處理有限公司^	PRC	Registered capital of RMB1,000,000	–	88.07%	Sewage treatment operation and construction
邯鄲市峰峰錦晟污水處理有限公司^	PRC	Registered capital of RMB1,000,000	–	88.07%	Sewage treatment operation and construction
邯鄲成晟水務有限公司^	PRC	Registered capital of RMB21,000,000	–	88.07%	Sewage treatment operation and construction

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
邯鄲市峰峰礦區世晟中水處理有限公司^	PRC	Registered capital of RMB6,000,000	–	88.07%	Sewage treatment
鹿邑新晟中水環保有限公司^	PRC	Registered capital of RMB6,000,000	–	88.07%	Sewage treatment operation and construction
鹿邑金達環保有限公司^	PRC	Registered capital of RMB15,000,000	–	88.07%	Sewage treatment operation and construction
北京同晟水淨化有限公司^	PRC	Registered capital of RMB13,000,000	–	88.07%	Sewage treatment operation and construction
高安新晟中水環保有限公司^	PRC	Registered capital of RMB6,000,000	–	88.07%	Sewage treatment
常州市大通水務有限公司^	PRC	Registered capital of RMB5,000,000	–	88.07%	Sewage treatment operation and construction
鎮平新晟中水環保有限公司^	PRC	Registered capital of RMB21,000,000 (2019: RMB6,000,000)	–	88.07%	Sewage treatment
惠州大亞灣清源環保有限公司^	PRC	Registered capital of RMB15,000,000	–	61.65%	Sewage treatment
深圳市大通水務有限公司^	PRC	Registered capital of RMB108,780,000	–	88.07%	Drainage operation and construction
金中環保(陸河)有限公司^	PRC	Registered capital of RMB48,900,000	–	70%	Drainage operation, sewage treatment operation and construction
漢川銀龍水務有限公司^	PRC	Registered capital of RMB43,000,000	–	100%	Sewage treatment operation and construction

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
惠州中海節能環保技術服務有限公司(ii)^	PRC	Registered capital of RMB10,000,000	–	44.92%	Energy conservation and environmental protection
北京上河元酒店有限公司^	PRC	Registered capital of RMB171,600,000	–	100%	Property investment
北京中水建投實業有限公司^	PRC	Registered capital of RMB211,350,000	–	100%	Property development and investment
荊州水務隆錦置業有限公司^	PRC	Registered capital of RMB80,000,000	–	51%	Property development and investment
周口銀龍置業有限公司^	PRC	Registered capital of RMB8,000,000	–	70%	Property development and investment
河南銀龍房地產開發有限責任公司^	PRC	Registered capital of RMB50,000,000	–	100%	Property development and investment
寧鄉水務置業有限公司^	PRC	Registered capital of RMB20,000,000	–	90%	Property development and investment
重慶金錦駿昌實業有限公司^	PRC	Registered capital of RMB61,200,000	–	100% (2019: 60%)	Property development and investment
新余仙女湖新城房地產開發有限公司^	PRC	Registered capital of RMB20,500,000	–	67.73% (2019: 63.63%)	Property development and investment
杭州臨普貿易有限公司^	PRC	Registered capital of RMB30,000,000	–	100%	Property development and investment
杭州銀龍中水實業發展有限公司^	PRC	Registered capital of RMB30,000,000	–	100%	Property development and investment
鹿邑縣銀龍欣源置業有限公司^	PRC	Registered capital of RMB50,000,000 (2019: RMB10,000,000)	–	100%	Property development and investment
新余仙女湖新城旅游開發有限公司*	PRC	Registered capital of RMB144,948,500	22.77%	44.96% (2019: 40.86%)	Development and infrastructure of sightseeing area
江蘇河海置業有限公司*	PRC	Registered capital of RMB57,500,000	–	100% (2019: 85.51%)	Hotel operation

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Notes:

*	registered as Sino-foreign joint ventures under the PRC law
#	registered as wholly-foreign owned enterprises under the PRC law
^	registered as a limited liability company under the PRC law
(i)	acquired/incorporated/established/injected during the year ended 31 March 2020
(ii)	accounted for as subsidiaries of the Group because the directors are of the opinion that the Group has power over the investee through control of the board of the subsidiaries, exposure to variable returns from the investee and the ability to use its power to affect those variable returns.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(b) General information of associates

Particulars of the Group's associates with water supply and sewage treatment as their principal activities as at 31 March 2020 are as follows:

Name	Place of establishment/ operation	Particulars of registered capital	Group's effective interest held/ profit sharing	Principal activities
廣州市增城自來水有限公司	PRC	RMB167,500,000	40.82%	City water supply and water supply infrastructure
梧州粵海江河水務有限公司	PRC	RMB110,000,000	49%	City water supply
常州禹安水務有限公司	PRC	RMB72,963,100	29%	Sewage treatment operation and sewage treatment infrastructure
Kangda International Environmental Company Limited	Cayman Islands	HK$50,000,000	29.52%	Construction and operations in urban water treatment businesses, water environment comprehensive remediation and rural water improvement
中原水務集團有限公司 (formerly known as 中原康達環保產業有限公司)	PRC	RMB500,000,000	29%	Construction and operations in urban water treatment businesses, water environment comprehensive remediation and rural water improvement

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For the year ended 31 March 2020

49. EVENT AFTER THE REPORTING PERIOD

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

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

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

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

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2020.

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